Trade Assessment: Namibia and Angola

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Disclaimer

The opinions presented are those of the authors and should not be regarded as the views of the USAID.

Executive Summary

Trade theories highlighted in the study are central in offering an explanation and prediction about Namibia current and future trade patterns. The Ricardian theory, which is oldest among those highlighted in the study, maintains that the differences in production costs among countries are at the heart of international trade. Whereas on the other hand, Heckscher-Ohlin theory highlights the importance of relative factor abundance, arguing that as long as countries are differently endowed with different quantities of factors, trade would take place between different countries and such trade would be beneficial to all involved.

Both of these theories refer to basic factors of production and not to advance factors. Therefore, according to Michael Porter, lack of development of advanced factors is at the core of declining terms of trade of many primary product exporters, whereas, those countries which have successfully development and implement policies to develop advance factors of production have actually succeeded in improving their terms of trade.

Despite its close economic and financial associated with RSA and EU, poverty levels of the people of Namibia as well as the economic structure have remained at levels that are not commensurate with resource endowment of the country. Therefore, as a way to improve the standard of living of the people of Namibia, the Government has come to the conclusion that SME development, among other policies measures would constitute a major instrument on addressing poverty and unemployment. Very elaborate strategy has been propounded. This strategy is encapsulated in the 1997 SME Policy and Strategy. Furthermore, there are additional policy instruments, such as White Paper Industrial Development of 1992, which is said to have been recently revised, but not yet officially accepted. In addition, there is the EPZ, NDP2 and the Vision 2030. All these are instruments meant to guide Namibia's industrial development and should significantly contribute to export development of the country, as Namibia's development is inextricably dependent on export markets.

Considerable work has gone into trade facilitation, promotion, and product development activities, through development assistance, especially by the European Union. In addition to development assistance in trade, development assistance has been forthcoming in the area of SME development from both EU and the USAID. Given the perceived role SMEs can play in alleviating poverty and creating much needed jobs, continued financial and technical support to this sector is important. It is important because the sector has to become involved in foreign trade, which had hitherto been the exclusive domain of big enterprises. In fact SMEs should become incubators for production innovation and process improvement.

Given the role of the foreign trade sector in Namibia, it would be very important that the Ministry of Trade and Industry, other sector Ministries and agencies and private sector associations and chambers are appropriately resourced. Another vital element in this regard is the development of vocational and advanced training and the ability to innovate in products that would advance Namibia trade across its

borders. The planned establishment of the National University of Technology could be a major development in developing advanced factors of production, which would spur and sustain Namibia's competitiveness in the globally competitive and liberalising trading environment.

Namibia's foreign trade has a strong focus on a few countries of the EU (UK, Spain, Netherlands, France, Belgium, Italy and Germany) and South Africa, with the former constituting over 50% and 7% of total Namibian exports and imports respectively, whereas the latter constitutes about 26% and 86% of total Namibian exports and import respectively. There is therefore little trade between Namibia and countries and regions outside those mentioned above. It must however be noted that some RSA exports to Namibia are actually re-exports.

Namibian exports are characteristically based on its natural resource endowment of mining, fisheries and agriculture. Only in recent years, especially after 1990 has Namibia embarked upon a deliberate drive to increase manufacturing which had largely been neglected by the former regime. Despite concerted efforts on the part of GRN to build up export capacity in non-traditional products, very little change has taken actually taken place, until Ramatex has started its operations less than a year ago. This massive investment of over N$ 1.0 billion is set to make a major change to the composition of Namibia's manufacturing, which has hitherto been dominated by fisheries and meat products. The important question is whether Namibia would be able to attract investment of similar magnitude in other sector as well, as so have an export-oriented and more diversified manufacturing sector.

Namibia is part of various regional integration schemes, and bilateral and multilateral agreements on trade and co-operation. These regional integration schemes and agreements include; SACU, SADC, COMESA, Cotonou Agreement and AGOA. The agreements and schemes have been central instruments in Namibia's attempts to diversify trade away from traditional export destinations and import origins and to facilitate fundamental structural economic transformation in the national economy.

One of the most recent instruments to promote trade between Namibia the developed world has been the AGOA. This instrument constitutes a major breakthrough, where the USA government gave qualifying countries duty-free access in addition to GSP access many developing countries have for over 2000 different products. AGOA adds over 1000 products for qualifying Sub-Saharan countries to imports products duty-free into the US market. There are two important qualifications to benefit from duty-free access under the AGOA. These are; (i) products to be imported under AGOA should be import sensitive for the US economy and (ii) products to be imported should not have been transhipped through qualifying Sub-Saharan country by a third non-qualifying country. Under AGOA 1, Namibia would not have qualified due to its higher annual per capita GNP, which exceeds US$ 1,500.

However, under AGOA II, Namibia has now been included in the list of Less Developed Sub-Saharan African countries, which can benefit from the Special Rule on Apparels and Textiles, which allows LDC qualifying countries to export apparels duty-free to the USA. Therefore, as a result of this concession, Ramatex Textile Namibia (Pty) Limited is able to export its products duty-free to the USA.

Because of the narrow nature of Namibia’s export portfolio, it would appear that Namibia would not derive significant benefits from this instrument, the exception being the massive exports from Ramatex Textile Namibia (Pty) Limited in Windhoek. Although, Namibia’s exports to the EU and RSA are largely composed of products derived from primary and natural resources of Namibia, for Namibia to increase benefits under AGOA, composition of exports will have to change. Export potential for other products such as leather products, table grapes, dates, semi-precious stones must be considered, at least for short to medium term, allowing long term change over to manufactured exports.

On the import side, Namibia mainly relies on RSA, from which it sources over 80% of its total imports. Namibia imports consumer goods (food and clothing, machinery, vehicles etc). Quite clearly, this level of reliance on one single import source is indeed very dangerous and national security would be in jeopardy. Namibia has therefore to have two strategies on the import side, i.e. limited import substitution in areas where Namibian industries are likely to be competitive and diversification of import sources to other countries. Although, the process of diversification of import sources is slow, looking at imports from countries, such as China and Zimbabwe would suggest that Namibia is succeeding, albeit in a very small measure with diversifying its import sources. This process would not be easy, as Namibia’s integration into RSA economy has now been deepened with the new SACU Agreement and imminent SACU-USA FTA agreement.

For trade within SADC, there is wide range of policy, structural, infrastructure and capacity related issues hindering trade within SADC. These issues would have to be addressed at SADC level.

As for Angola, its economy is very dependent on oil production and exports, with oil contributing over 90% to foreign currency earnings and 60% to GDP. All other sectors, especially the manufacturing has all but come to a standstill as a result the civil war which lasted for close to 30 years, with devastating effects on economic and social infrastructure and general economic development of the country. Angola, which has one of the best climatic conditions for tropical and semi-tropical crops, has been a net-importer of food, while it used to be self-sufficient in food. In addition, the country also had a developed light-manufacturing sector.

Massive cash inflows from oil sales has come to result in a situation where the current government appears less inclined formulated and implement policies which would urgently address underlying economic problems of the country. It would appear that oil proceeds are spent unwisely on maintaining inefficient and largely corrupt bureaucracy. Business environment in Angola is very difficult due to lack of appropriate laws and regulations and lack of capacity of institutions, which could support business and entrepreneurial development in Angola.

As far as trade with Angola is concerned, Namibia exported goods worth of over N$ 2.5 billion between 1997 and 2001, of which 9.3% were re-exports. As Angola revives its economy, and as its industrial production comes on stream, it would be vital for Namibian exports to change in content and quality, if Namibia has to maintain and increase its market share in Angola in the future.

It would be important for Namibia, in the medium to long term not only to expand its market share with its current exports but also to diversify its industrial production structure as well. With such diversification and increase in exports, Namibia's long-term relationship with Angola, even with revived economy would have been secured. Therefore, the future assistance must be focused on product development, enabling Namibia to produce goods, which would be needed by the reviving Angolan economy. Without necessary changes in the structure of the Namibian exports to Angola, imports from Brazil, Portugal and South Africa would seriously threaten Namibian long-term export opportunities to Angola. Even countries such as Zambia and Zimbabwe may actually present a serious long term threat to Namibia's export opportunities to Angola, with their more diversified economic structure.

Main problems identified in the reconstruction process of Angola would be in such as areas as physical infrastructure, policy and legislative framework, bureaucracy and red type and corruption.

In the short to medium term, efforts would have to be made to ensure that the business environment is improved to allow transparency and predictability. This would be done through formulation, promulgation and enforcement of business friendly pieces of legislation and building of business support institutions with required institutional capacity and resources.

Apart from exports of products, Namibian businesses stand to benefit from forming joint-venture operations in Angola with Angolan partners. This would be particularly true for the regions bordering Namibia, where Namibians may have both geographical and cultural advantages. Given the magnitude of the need even in the southern provinces, Namibia would be well advised to concentrate its efforts on these provinces. As part of process to reinvigorate trade and business relations between Namibia a number activities are to be recommended. These include, among other things, trade and co-operation agreement, exchange of commercial counsellors, closer cultural ties, promulgation of business friendly legislation and policies in Angola, more active participation of Namibia in trade fairs and exhibition in Angola, especially in the southern provinces.

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List of abbreviations

ADB	Africa Development Bank
AGOA	Africa Growth and Opportunity Act
AIA	Industrial Association of Angola
APPCIL	Associação Agropecuária Commercial e Industrial da Huila
BRI	Import Permit
CBI	Cross Border Initiative
CBS	Central Bureau of Statistics
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern African Countries
DRC	Democratic Republic of Congo
EU	European Union
EPZ	Export Processing Zone
FILDA	International Fair of Luanda
GRN	Government of Republic of Namibia
HS	Harmonised System
IMF	International Monetary Fund
LDCs	Least Developed Countries
MFN	Most-favoured nation treatment
NDP 1	Namibia Development Plan 1
NDP2	Namibia Development Plan 2
NPC	National Planning Commission
NTBs	Non-Tariff Barriers
PTA	Preferential Trade Agreement
RISDP	Regional Indicative Strategic Development Plan
RCSA	Regional Centre for Southern Africa

SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SMEs	Small and Medium Size Enterprises
SMP	Staff Monitored Program
SPS	Sanitary and photo-sanitary measures
WB	World Bank
WTO	World Trade Organisation
USAID	United States of Assistance for International Development
UNITA	Union of Total Independence of Angola

1. Background

In January 2003 the USAID Mission Directors serving in the SADC countries, including RCSA submitted a Joint Trade Proposal to USAID/Washington for funding. This joint proposal intends to increase trade amongst SADC countries as well as with the Southern African Customs Union (SACU) members of SADC (e.g., South Africa, Namibia, Botswana, Lesotho, and Swaziland) – both as a market and a springboard to the global economy. AGOA-interested firms in the region also are looking at SACU as a pathway to greater sales.

Nevertheless, constraints to increased intra-regional trade remain. Important among them are differences between the regulations and procedures of the South Africa dominated SACU and those of SADC. Non-SACU members of SADC face problems accessing the SACU market. For example, Zambians wanting to export to Namibia and Botswana encounter SACU regulatory barriers. SACU has recognized this problem and stated its aim to support increased interchange of goods between SACU and SADC countries through lower tariffs, tax and regulation harmonization, and simplification of border procedures. Just as important are the trade problems between non-SACU countries. For example, transporters moving goods by road between Zambia and Malawi or Mozambique and Malawi encounter various costly time delays and expenses at borders.

The southern African countries realize how high the stakes have become. They and USAID both see that, as a region, southern Africa is experiencing rising unemployment and weak growth, and in the next 10 years will suffer the full weight of the devastating increase in AIDS deaths. The overall rate of growth of 2.6% remains inadequate to reduce current poverty and unemployment levels, let alone cope with the other challenges that lie ahead. None of these countries – including South Africa -- can consistently attain the 6-7% growth that is needed without major increases in regional and international trade.

The Proposal**:** This Joint Proposal assists small and medium businesses, including farm enterprises, in non-SACU countries in SADC to take better advantage of what the SACU economies offer for increased trade and economic growth. While the emphasis is not on larger businesses, which for the most part already have the resources and ability, larger enterprises also will benefit from the simplifications and harmonization of regulations.

Two parallel tracks are proposed, which together complement the business development programs currently supported by USAID/Namibia and the larger U.S. trade capacity building agenda coordinated by RCSA.

Track 1 – Increasing Regional Trade Transactions among SMEs, and between non-SACU SMEs and larger SACU Firms: This track expands USAID's SME business development programs between SADC and SACU countries, particularly with South Africa as a key regional business and finance hub. It will also provide SMEs in non-

SACU countries business and marketing linkages to regional and world markets, through larger regional players.

Track 2 - Reducing Regulatory Blockages: The challenges encountered by SMEs as they seek to expand business and trade in the region form the basis of the Proposal's second track. This track focuses on resolving those challenges by targeting SACU rules, regulations, and practices that impede the flow of goods and services from and to non-SACU countries as well as other regulatory blockages between SADC countries.

2. Terms of Reference

2.1. General Objectives

A consultant will prepare a written assessment and analysis of the Namibian trade sector and a set of recommendations concerning USAID's future role in relation to the trade and business sector. USAID would like, initially at least to look beyond its area of current interest in the business development field, in the event that the exploration might:

- Give us a broader understanding of the Namibian trade sector;
- provide a clear picture of the opportunities and constraints within the trade sector;
- lead us to effectively pursue the two tracks that are suggested in the joint trade proposal; and
- position USAID/Namibia to support trade related activities, i.e. cross border trade, export market promotion, particularly looking at the Angolan market, business linkages facilitation, etc.

2.1.1. Specific Tasks

The consultant will provide a profile of Namibia's trade sector. The profile will:

- Identify primary trading partners and level of trade; goods being exported now, broken down by countries in the region, Europe and U.S.; goods with potential for increased export capacity to the region and the U.S.
- Discuss the Government of Namibia efforts to promote the trade agenda and economic growth.
- Identify Namibia's most critical trade issues (both at macro – policy level and micro – enterprise level) and discuss Government of Namibia plans/actions to address those issues.

- Identify the key policy, capacity and other constraints to increased trade with non-SACU SADC countries.
- Provide a brief overview of donor involvement in the trade sector, i.e., funding and types of activities.
- The consultant will provide a profile of the Angolan market. The profile will:
- Provide an overview of the Angolan market and economy.
- Discus the trade pattern between Namibia and Angola, with highlights on products and services being exchanged.
- Discuss the business and investment opportunities that currently exist in Angola that Namibia is suited to take advantage of.
- Highlight major constraints and impediments to doing and establishing business in Angola.
- Identify the key policy, infrastructure, capacity and other constraints to increased trade with Namibia.
- Role of business service organizations (BSOs) in helping businesses in Namibia and Angola establish linkages.
- Provide a brief overview of donor involvement in Angola's trade and business sector, i.e., funding and types of activities. This should include a section on USAID and other U.S. Government's economic growth interventions in Angola.

AGOA opportunities: identify key Namibian products with export potential to the U.S. under AGOA.

Based on the review of the Joint Trade Proposal, understanding of USAID/Namibia's business development program and RCSA's Trade Hub initiative and the findings of this assessment, what other recommendations would the consultant make with regard to making linkages between existing programs and potential programs to address constraints in the trade, business, or export market?

3. Methodology

For the completion of this study consultants undertook a comprehensive literature review of existing sources of information and data on the economies of Angola and Namibia as well as foreign trade relations and exports and imports of the two countries.

As part of the process to complete the assignment, team members of the consultants also visited the Oshikango customs and migration point and had extensive discussions with officials from the Namibian customs and immigration departments. In addition, interviews were conducted with selected Namibian business people and exporters. The consultants also held discussions with customs officials from Angola.

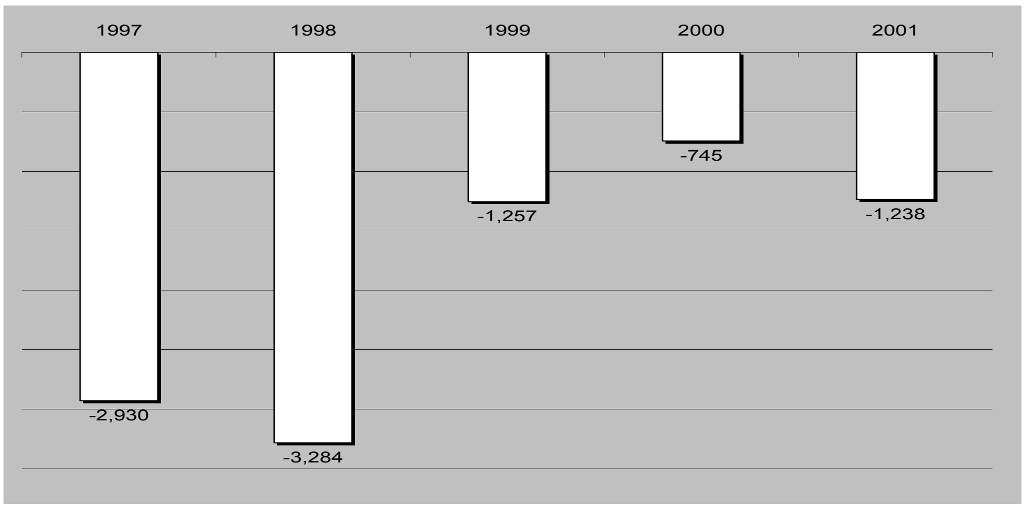
Furthermore, members of the teams also undertook a trip to Luanda, where discussions were held with officials from various Ministries and agencies involved in foreign trade. While in Luanda, the consultants held discussions with USAID officials and individual importers and business people as well. This was to ascertain the level of involvement of donor agencies in the Angolan economy.

After returning from Angola, the team prepared a synthesis of the findings in Northern Namibia and in Luanda. This report was in turn incorporated into the report, which came as a result of extensive literature review. The draft report was submitted to the USAID and to NEPRU peer reviewer. Comments from the USAID and the NEPRU Peer reviewer were incorporated into the final report.

4. Introduction

Namibia is one of few countries with a high degree of economic integration on the African continent, being a member of the Southern African Customs Union (SACU), the Southern African Development Community (SADC), now defunct Cross-Boarder Initiative (CBI) and the Common Market for the Eastern and Southern Africa (COMESA). All these initiatives are aimed at facilitating regional trade by removing trade barriers across member states.

Figure 1: Angolan trade balance with Namibia in million N$



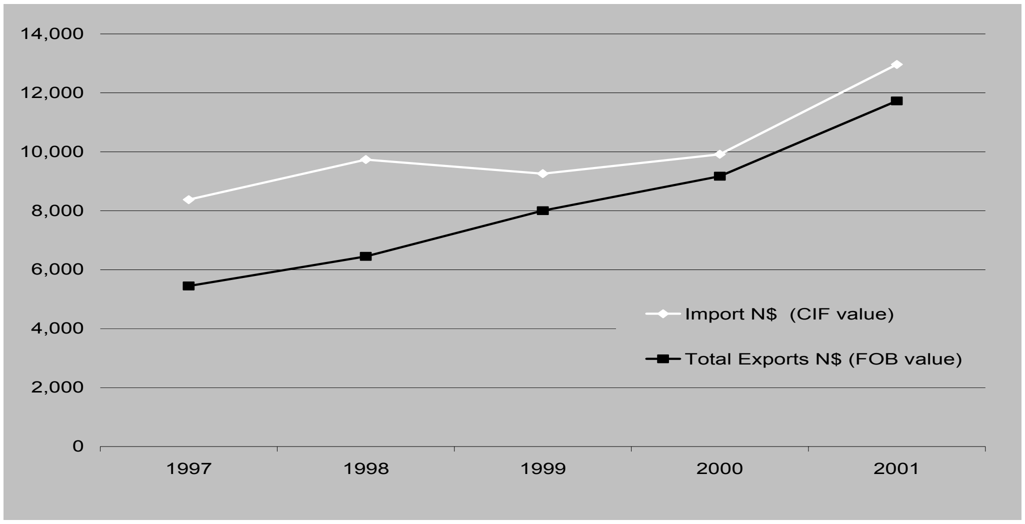
Source: BCS 2002

South Africa, which is both SACU and SADC member, is the largest trading partner of Namibia due to the fact that Namibia obtains most of its imports from and through South Africa (over 80%) and about 26% of all Namibia's exports are destined to South Africa.

Angola, which is a member of both SADC and COMESA, is the most important export destination trading partner after the EU and RSA, with Namibia's exports to Angola accounting for about 5% of Namibia's total exports. Imports from Angola remain insignificant in relation to total imports, hence, Namibia's large favourable trade balance with Angola.

With the consolidation of peace in Angola and prospects for peace in DRC, Namibia is being presented with increased opportunities to at least stop the trend of being a net importer in its overall trade (Namibia imports more than what it exports see Figure 2) if not to reverse such a trend. This trend does not so much depend on peace in Angola and DRC but rather on Namibia's economic structure. If we start exporting more to Angola and DRC, but have to import everything from RSA or elsewhere nothing will change. Trade patterns can only change if Namibia's economic structure changes.

Figure 2: Namibian imports and exports in N$ million)



Source: CBS 2002

5. Theory of Foreign Trade

Various theories exist explaining factors that initiate trade. The Ricardian Comparative Advantage Trade theory, argues that countries would engage in trade because their costs of producing different products are not the same, and that would make countries specialize along the lines of relative production costs differences. Despite limitations resulting from its stringent assumptions, there is indeed sufficient empirical evidence to support the basic principle that relative costs difference is a major factor leading to trade among nations, and therefore for the pattern of international trade.[1]

The Heckscher-Ohlin – Factor Endowment Trade theory asserts that countries are differently endowed with different factor supplies and as long as this is the case trade between countries would take place and benefit all involved. This theory assumes away inherent differences in relative labour productivity, which is central to the classical Ricardian theory of international trade. According to this theory, comparative advantage is influenced by the interaction between resources of nations (relative abundance of factors of production) and the technology of production (which influences the relative intensity with which different factors of production are used in the production of different goods). The theory emphasises the interplay between the proportions in which different factor of production are available in different countries, and in proportions in which they are used in producing different goods[2].

[1] Krugman P.R., Obstfeld M, International Economics – Theory and Policy Page 29

[2] Todaro M, Economic Development, Page 469

Furthermore the theory asserts that international trade based on factor endowment leads to factor price equalisation across the trading countries. While it has been difficult to validate this theory empirically, it has nevertheless remain relevant in so far as it suggests that factor endowment has a crucial role to play in the nature of goods and services traded by nations.

In the case of Namibia, this theory is being validated, given Namibia's resources or factor endowment and the composition of its traded products at this point in time. It is also true that the theory is more of a general equilibrium type and that it is therefore static in its predictions.

In Michael's Porter's Competitive Advantage of Nations, Porter bases his conclusions on the assumption that there is a difference between basic factors and advanced factors of production. He argues that standard trade theory only applies to basic factors of production, such as the availability of raw materials, capital and labour and not to advance factors, which are more specialized and include highly trained workers with specific skills, and knowledge resources such as government and private research institutes, major universities and leading industrial associations. According to Porter "the central task facing developing countries is to escape from the straightjacket of factor driven national advantage, where natural resources, cheap labour, location factors and other basic factor advantages provide a fragile and often fleeting ability to export (and are vulnerable to exchange rate and factor costs swings). Many of these industries are also not growing, as the resource intensity of advanced economies falls and demand becomes more sophisticated. Creation of advance factors should according to Porter be the first priority.[3] From this, it is clear that an innovation and research and development effort in the areas of products and services is the key to success in international trade.

Looking at Namibia's attempt to establish "National University of Technology in the future and other programs related to human resources development should be seen as addressing the need to develop advanced factor as perceived by Porter. The National University of Technology will be the flagship institution for the enhancement of the national capacity for wealth creation through technology and science. Organised as a service institution, the new institution will operate in close co-operation and collaboration with the private sector, other public institutions and communities to create, deliver, install and maintain knowledge based applications[4].

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[3] Tadoro M, Economic Development Page 477

[4] Ministry of Higher Education, Vocational Training Science and Technology, Investing in People, Developing a Country: Higher Education for Development in Namibia, Page 136

6. Namibia development goals and objectives

Namibia's broad development goals are encapsulated in the Vision 2030 and elaborated in NDP2.

6.1. Vision 2030

In summary, Vision 2030 would want to see, that Namibia achieves a developed country status by 2030. The Vision 2030 has various development plans of the country as its instruments in achieving this goal. One vital element in the Vision 2030 is the explicit reference to industrialization of Namibia, which would have been reached by 2030.

6.2. NDP2

The following are the key NDP2 objectives.

- Revive and sustain economic growth
- Creation of more employment opportunities
- Reduction of inequalities in income distribution
- Reduction of poverty
- Reduction of regional development inequalities
- Promotion of gender equality and equity
- Promotion of economic empowerment
- Combating the further spread of HIV/AIDS[5]

Many of these objectives have been retained from NDP1 as they are of a long-term nature and could not be addressed successfully within a five-year period of NDP1.

6.3. Goals and objectives of the Directorate of the International Trade

Goals and objectives of various sector Ministries and agencies are set out to support the national goals and objectives. Therefore, in the case of the Ministry of Trade and Industry, its role can hardly be overemphasized as sustained growth at the national

[5] NPC, Director-General, Presentation to the National Assembly

level, which would take the country to new heights largely dependent on whether Namibia finds, maintains and expands its markets abroad.

Although not well spelled out in the NDP2, the objectives of the Industrial Policy and the EPZ are quite sufficient to take Namibia on the road to greater prosperity to ensure that Namibia improves its terms of trade over long term.

The White Paper on Industrial Development 1992

Several initiatives have been launched to achieve the aims of the Namibian development strategy such as:

- White Paper on Industrial Development
- Export Processing Zone Regime
- 1997 SME Policy and Program

These are described in more detail below.

6.4. The White Paper on Industrial Development 1992.

The industrial policy, as outlined in the White Paper on Industrial Development of 1992 embraces the following concepts:

- Private sector as the leading economic actor;
- Government creating an enabling environment for the private sector, an environment within which the private sector should prosper but again, an internationally competitive environment;
- Government to create environment geared towards attracting foreign direct investment and to develop local capacity through education and training and fostering of entrepreneurial skills;
- Consistency in policy-making and implementation;
- Proper communication within GRN as well as between GRN and the private sector;
- Prevention of further creation of monopolies in Namibia, through exposing industry to import competition;
- Limited Government intervention in the market to situations where it is meant to cab monopoly situation is based on non-economic factors and unfair competition, such as dumping;

- Increase manufacturing value added by stimulating exports and, where efficient import substitution[6].

6.5. Export Processing Zone Regime

The overall industrialization strategy has been further strengthened with adoption of the Export Processing Zone (EPZ) regime in 1995.

The Namibia Government has made the development of the manufacturing industry a corner stone of its economic policy. One of the major tools for encouraging manufacturing has been the setting up of EPZ points through the EPZ Act of 1995. The aim of the Government is to attract companies to EPZ regime for them to produce manufactured exports, as well as to encourage skills and technology transfers.

The Namibian EPZ regime has attracted significant local and international interest, but the practical picture on the ground has been disappointing in terms of a number of companies, which have set up operations of economic significance. According to an EPZ Progress Review of March 2002, compiled by the Offshore Development Company (ODC), only 20 companies are active in the EPZ regime to date, compared to 101 companies, which have been granted the EPZ status. These include; Ostrich Production Namibia, Ongopolo Smelters, NamGem make use of Namibian raw materials (copper, zinc and diamonds) in the production of manufactured exports and this validates the neoclassical theory of abundant resource endowment as a basis for trade with other countries[7].

In overall terms, at least until the arrival of Ramatex on the Namibian economic scene, EPZ has largely been seen as not having produced expected results. In some ways this explains the theoretical exposition in chapter 2 about the role of the advanced factors of skills and technology resources in sustainable and viable trade development. And this important element should be provided by the higher education and vocational training system in Namibia.

6.6. 1997 SME Policy and Program

This policy and program was launched as a result of the realization on the part of the Government that poverty reduction and employment creation can only be realized with the sustainable development of the SME sector. This conclusion was arrived at as a result of positive contribution SME sector makes to the development of economies in different parts of the world. The Policy and Program consists of the following key elements:

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[6] Maxwell Stamp, Namibia Trade Policy Reform Study, Page 39.

[7] Offshore Development Company, EPZ Regime, March 2002, Page 2.

- Institution capacity building in the field of SME support
- Provision of micro finance
- Marketing and purchasing
- Training in business management and product development
- Transfer of appropriate technology
- Legal reform and enabling environment for the growth of the SME sector[8]

Considerable donor support has income from both multilateral and bilateral sources to address issues outlined in this policy document. Some of the support programs have now been evaluated and some conclusions are not too upbeat about the impact of some of these programs so far. What should be done is to develop a synthesis of various support programs, which have targeted at the SME sector so that the overall impact can be ascertained and to map out appropriate strategy.

6.7. Namibia's Trade Development and Promotion Strategy

The Department of International Trade in the Ministry of Trade and Industry is responsible for issues relating to trade development, facilitation and promotion. The Department works in close co-operation with sector Ministries, e.g. Ministry of Agriculture, Water and Rural Development, Fisheries and Marine Resources, Mines and Energy, Finance, Agricultural Boards and private sector operators to ensure that Namibia has access to foreign markets.

In this context the directorate performs the following functions:

- Formulation and analysis of foreign trade policy
- Serving as focus point for Namibia's bilateral and multilateral trade relations
- Promotion of intra-regional trade and regional economic co-operation and integration
- Formulation and implementation of Namibia's export promotion strategy
- Export promotion and market development
- Assistance and support to the local business community in the export product development and promotion
- Provision of trade related information
- Import and Export management
- The Department of International trade consists of two divisions, namely;

[8] NEPRU, Evaluation: Support for Micro and Small Enterprise Development (UNDP), 2002, Page 5.

6.7.1. Trade Policy and External Relations

It is responsible for developing and formulating trade policies and advises the Government on global developments in the area of international trade.

6.7.2. Export Promotion

This division is responsible for stimulating exports by facilitating export development and promotional activities in target markets. This is done through assisting companies to participate in trade fairs and exhibitions, provision of technical assistance to exporters, facilitation and organisation of inwards and outward trade missions and evaluation of export potential and needs of local manufacturers.

With regard to participation in trade fairs and exhibitions, assistance covers the following; guidance to firms on most appropriate fairs and exhibition to participate in, design and management of national exhibition stand, financial assistance to participating companies, facilitation of follow-up on trade enquiries and evaluation of exhibition performance[9].

In addition, Namibia's export promotion is furthermore facilitated through various offices of Namibia's Commercial Representatives in selected Namibian Embassies. There are currently five such offices in Berlin, Kuala Lumpur, Paris, Pretoria and Washington.

6.8. Donor support for trade development, facilitation and promotion

Donor support played and continues to play an important role in different areas of Namibia's foreign trade development. The first support came from the EU way back in 1993 with the formulation of Namibia's trade policy, which included work on SACU renegotiation. Maxwell Stamp Consultants carried out this study, with EU financial support. The second major support came from the WB, IMF, EU and ADB in the form of cross-border initiative (CBI), which aimed at encouraging national governments to unilaterally reduce and eliminate cross-border trade, investment and payment barriers.

Furthermore, there was the transitional trade and investment development program (1996 – 1998), which made an initial contribution towards the Government's objectives of support of export growth and diversification. It assisted in the upgrading of the capacity at the Ministry of Trade and Industry to serve the private sector to successfully operate in an internationally competitive environment. The program was financed from EU funds earmarked for Namibia in support of the Cross Border Initiative (CBI).

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[9] Namibia Trade Directory,2003, Page 21

This program was followed by the current 2½ years program (2000 – 2003) 'Trade and Investment Development Program," The program is financed to the tune of Euro 3.6 million.

It is due to come to an end in July 2003.

The overall objective of the program is to develop and diversify the productive sector with particular reference to SME sector. This will be in support of a structural transformation of the Namibian economy into a more outward looking and diversified economy, which is competitive in national, regional and international markets for its manufactured products. The overall program purpose is to improve human resources development and institutional capacity building, business technical advisory and information services and access to credit.

The following have been identified as beneficiaries under this program:

- Staff of the Ministry of Trade and Industry 9 International Trade, industrial development and Investment Centre)
- Namibia Chamber of Commerce and Industry
- Exporters
- SMEs

This program still has to be evaluated and we are not in a position to make any sensible judgement at this stage. The critical issue is whether the program has targeted and actually reached the producers and exporters and those institutions and entities, which provide support services to exporters and producers. Whatever this program might have achieved or failed to achieve, it is vital that future programs focus on producers of goods and exporters and for purposes of sustainability focus also on services providers to producers and exporters. Needless to say, apart from large producers, many of Namibia's producers and exporters would be classified as not small but certainly as medium scale enterprises.

6.9. Small & Medium Enterprises and Foreign Trade

Small & Medium Enterprises (SMEs) in developing countries are mostly informal, labour-intensive and constitute the most competitive sector of the economy since there is easy market entry, with very little start-up capital and little education required. A larger percentage of them is run by women in Africa as compared to large businesses. SMEs often use local raw materials and cater for surrounding markets, so they are very useful in addressing issues like disparities of income and wealth, unemployment, economic empowerment of women etc, but there is little evidence on their role in international trade

The Ministry of Trade and Industry has devised a working definition for an SME enterprise, which has been used in its SME Baseline Surveys (1998, 1999 and 2000). This definition is given in the table below.

Sector	Number of employees	Annual turnover	Capital employed
Manufacturing	< 10	< N$1,000,000	< N$500,000
All other businesses	< 5	< N$250,000	< N$100,000

The number of employees must fulfil the criterion and at least one of the two other criteria (Annual turnover and Capital employed) for an enterprise to be defined as an SME. In most countries, businesses are grouped into four categories: Micro, Small, Medium and Large, in an attempt to group enterprises with similar characteristics together. The table below shows the number of SMEs in Namibia by business sector and by proportion.

Sector	Number of enterprises	% share
Manufacturing	7,235	24.3%
Trade	18,359	61.6%
Services	4,207	14.1%
Total	29,801	100.0%

Source: MTI Baseline Surveys (1998, 1999, 2000)

According to the Manufacturing Survey of 1994, by the Ministry of Trade and Industry, the small enterprise segment of the manufacturing sector is relatively underdeveloped. Thirty-five percent of manufacturing enterprises were found to be small, but they accounted for less than 2% of the total manufacturing turnover and for less than 6% of employment, though informal enterprises were not included.

Despite definitional issues as highlighted above, there is indeed greater need to refocus Namibia's SME strategy, which is already being done at any rate. It is not clear why it is necessary to refocus the strategy. Therefore, as Namibia has put the development of SMEs at the centre of its development strategy as a way to create jobs and reduce poverty, the role of SMEs in foreign trade has to come to the fore. But there are a host of barriers to the development of SME already in the domestic business environment, which are in fact more pronounced when it comes to the involvement of SMEs in external business environment.

Government of Namibia has put in place a number of support measures, such as the creation of the Small Business Trust, Enterprise Namibia Foundation, Joint Consultative Council, Namibia Development Corporation, Development Fund of Namibia etc. These institutions are backed by the GRN policy framework as spelled out in GRN policy as expressed in its Small and Medium Enterprise Policy of 1997, which include the following elements:

- Institution capacity building in the field of SME support
- Provision of micro finance

- Marketing and purchasing
- Training in business management and product development
- Transfer of appropriate technology
- Legal reform and enabling environment for the growth of the SME sector[10].

Because of the size of SME and lack resources, including knowledge about external markets SMEs would face major problems in the way to become involved in external trade in any meaningful manner. What should actually happen in the medium term is to encourage SMEs to develop supplier relationship with enterprises already involved in external trade. Through such relationship, SMEs would be able to build production capacity and increase product sophistication. Such matchmaking process needs to be pursued in formal ways, with focused and deliberate financial and technical support.

7. The Namibian Foreign Trade

The Namibian economy is characterised by its heavy dependence on mineral and other primary exports such as agriculture and fisheries and tourism-related services. Furthermore, international trade also knows Namibian economy for its high degree of openness.

Apart from SACU tariffs, the country employs very few trade restrictions. This degree of openness of the Namibian economy is also evident from its high import/GDP and export/GDP ratios, the latest (year 2001) being 59% and 40% respectively. This high degree of openness together with a lack of diversification of economic activities explains why the Namibian economy is so much vulnerable to external disturbances.

7.1. Export products

Namibia's principal export products are minerals, fish, livestock and livestock products, with table grapes being a new addition. For the year 2000, the product group "pearls, precious stones/metals etc. imitation jewellery, coin constituted 42.36% of total annual exports; "Fish & crustaceans, molluscs and other aquatic invertebrates" (17.82%); "Ores, slag & ash" (8.38%); "Printed books, newspaper, pictures etc, manuscripts etc. (8.31%); "Beverages, sprits & vinegar" (3.43%). These top groups of export products accounted for about 80.3% of total exports. In Table 1 below, we have the top 20 product groups that Namibia exported to other countries over a five-year period, from 1997 to 2001. The table is showing this in Namibian dollars and in percentage shares of total exports.

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[10] NEPRU, Evaluation of UNDP SME Support, 2002, Page 5.

Table 1: Top 20 Domestic export products 1997 - 2001

	Domestic exports N$ (FOB value)	% domestic exports
Used personal effects	246,256,997	0.63%
"Hides & skins of bovine animals preserved but not tanned, nes"	254,166,705	0.65%
Fresh/chilled boneless bovine meat	277,717,963	0.71%
"Flours/meals/pellets of fish, etc, unfit for human consumption"	387,691,959	1.00%
Salt and pure sodium chloride; sea water	397,283,844	1.02%
"Prepared or preserved sardines, sardinellas, brisling, etc"	411,103,113	1.06%
Unrefined copper; copper anodes for electrolytic refining	499,302,126	1.29%
Frozen boneless bovine meat	517,091,582	1.33%
Live sheep	524,164,607	1.35%
"Semi-manufactured gold (incl. gold plated with platinum), non-monetary"	683,343,089	1.76%
Unsorted diamonds	695,656,668	1.79%
"Fresh or chilled fish, nes"	702,166,364	1.81%
Uranium ores and concentrates	954,552,523	2.46%
Beer made from malt	1,089,170,863	2.80%
Silver ores and concentrates	1,396,157,310	3.59%
Frozen fish fillets	1,536,025,942	3.95%
"New stamps; stamp-impressed paper; cheque forms; banknotes, etc"	2,337,250,639	6.02%
Frozen hake	2,392,018,419	6.16%
"Frozen fish, nes"	2,939,552,502	7.57%
"Non-industrial diamonds unworked or simply sawn, cleaved or bruted"	13,460,957,390	34.65%
Top 20	31,701,630,605	81.61%

Source: Central Bureau of Statistics 2002

Table 1 shows the top 20 product groups in terms of total exports by Namibia (domestic exports + re-exports) over five years, from 1997 to 2001. Based on these top 20 product groups, about 4.2% of total exports by Namibia are re-exports and this ratio is even high when it comes to Namibian exports to individual countries such as Angola. The dominance of diamond exports is evident, making up 33.71%, followed by fish exports, with the hake specie dominating the fish exports group.

Table 2: Growth of Namibian exports (value) 1999 – 2002

	1999	2000	2001	2002 (p)[11]	Average
Diamonds	39.8%	40.5%	6.2%	24.4%	27.7%
Other minerals	2.8%	14.7%	29.9%	25.9%	18.3%
Manufactured products	-19.8%	-12.7%	3.2%	1.1%	-7.1%
Other commodities	65.1%	299.9%	-10.8%	-65.7%	72.1%
Total exports, Fob	10.0%	25.6%	7.0%	13.8%	14.1%

Source: Bank of Namibia, Annual Report 2002

We can see from table 2 above that growth in Namibia's exports on sector basis has been rather erratic, except that of diamonds and other minerals, which had maintained a positive growth over the last four years. This picture clearly illustrates the nature of problems when manufacturing is predominantly based on natural resource endowment, and climatic conditions and the export products are predominantly raw materials. Namibia manufacturing is largely based on agricultural output of meat and livestock and fisheries products, both of which are susceptible to climatic changes.

Table 2 indicates that Namibian exports are actually growing quite fast, with an average annual growth rate of 14.1% from 1999 to 2002, the value of total exports almost doubled between 1998 and 2002. Manufactured exports have been falling until the year 2000, but recent investments in export related activities such as in textiles (Ramatex), diamond polishing and cutting, leather production and smelting of zinc and copper should have a positive impact of manufacturing sector.

[11] Provisional figures

7.2. Export destinations

Table 3: 20 top export destinations (1997 – 2001)

	Total Exports in N$ (FOB value)	% of total Exports
S. Africa	12,276,279,747	30.10%
UK	11,492,419,109	28.18%
Spain	4,854,555,360	11.90%
Angola	2,154,954,848	5.28%
Switzerland	1,501,499,132	3.68%
USA	1,370,894,710	3.36%
Netherlands	841,786,457	2.06%
France	748,772,356	1.84%
Belgium	746,583,542	1.83%
Canada	650,204,461	1.59%
Italy	603,655,942	1.48%
Swaziland	493,595,241	1.21%
Germany	369,732,762	0.91%
Japan	289,638,029	0.71%
Congo	208,192,098	0.51%
Zimbabwe	162,021,907	0.40%
Botswana	156,408,132	0.38%
Australia	147,967,603	0.36%
China	145,194,026	0.36%
Iceland	127,731,335	0.31%
Total Top 5	32,279,708,196	79.14%
Total top 20	39,342,086,797	96.46%

Source: CBS 2002

When such trading partners are being evaluated based on Namibian exports again from 1997 to 2001, South Africa remains on the top, but less dominant compared to import side of the equation. South Africa absorbed 30.10% of exports, followed by United Kingdom (28.18%), Spain (11.90%), Angola (5.28%), Switzerland (3.68%), United States (3.36%), the Netherlands (2.06%), while France and Belgium absorbed 1.84% and 1.83% respectively. Here the top 5 countries accounts for 79.14% of Namibian exports, while the top 20 countries accounts for 96.46%. It would be interesting to analyse the export patterns without diamond exports and may be even without fish and fish products. These are two product groups that are exported to two countries not because of a high demand there but due to other reasons and are overwhelmingly re-exported to other destinations.

7.3. Import products

Namibia's principal imports are vehicles, machinery, petroleum and petroleum products, foods and beverages and textile and clothing. During the year 2000, the group "Vehicles, parts & accessories thereof made" accounted for 14.26% of total imports; "Nuclear reactors, boilers, machineries etc. parts thereof" (10.70%); electrical machinery, sound recorders/reproducers, TV's, parts (9.39%); articles of iron or steel (3.88%); mineral fuels, oils & prodes, bituminos substa, mineral waxes (3.16%), just to mention a few.

Table 3: Top 20 import products 1997 - 2001

	Total Imports in N$ (CIF value)	% of total imports
Parts of electrical telephonic or telegraphic apparatus	267,856,551	0.53%
Copper ores and concentrates	276,551,257	0.55%
Portland cement (excl. white)	288,481,894	0.57%
"Other preparations of a kind used in animal feeding, nes"	298,501,063	0.59%
Beer made from malt	300,652,229	0.60%
"Buckets, shovels, grabs and grips of machinery of 84.26, 84.29 and 84.30"	302,522,315	0.60%
Radio/TV transmission apparatus with reception apparatus	327,207,166	0.65%
Lactose and lactose syrup cont. by weight >=99% loctose calc.on dry matter	359,019,849	0.71%
Vehicles with spark-ignition engine of cylinder capacity <1000cc	416,885,985	0.83%
Parts and accessories of the machines of 84.71	422,328,146	0.84%
"New pneumatic tyres, of rubber, for motor cars"	436,053,360	0.87%
"Cans used for preserving food and drink of iron or steel, <50 l"	449,676,013	0.90%
"Preparations for use on the hair, nes"	454,830,487	0.91%
"New stamps; stamp-impressed paper; cheque forms; banknotes, etc"	529,374,860	1.05%
"Parts & accessories, nes, for vehicles of 87.01 to 87.05"	540,455,029	1.08%
"Frozen fish, nes"	561,430,317	1.12%
"Other medicaments of mixed or unmixed products, for retail, nes"	578,839,701	1.15%
"Fishing vessels; factory ships, etc, for processing.... fish"	701,797,048	1.40%
"Petroleum oils, etc, (excl. crude); preps. thereof, nes"	2,713,943,788	5.40%
"Vehicles with spark-ignition engines, cylinder 1500 - 3000 cc"	3,143,788,193	6.26%
Total	13,370,195,251	26.61%

Source: Central Bureau of Statistics 2002

Table 3 shows top 20 of the product groups that Namibia imported over a five-year period, from 1997 to 2001. The indication is that Namibian imports are more scattered around many different types of products as compared to exports, which are less diversified. That is why the top 20 import product groups only account for about 26.6% of total imports, while on the exports side, the equivalent ratio is 79.8%. We can therefore conclude that Namibia's manufacturing sector is much more narrowly based, and the country is heavily dependent on imports of very large diversity. For Namibia's exports to be diversified to any meaningful level, imports are most likely to increase significantly.

7.4. Import source countries

South Africa tops the list of the first 20 top import source countries. This higher level of import dependence on RSA is as a result of historical as well as geographical reason. Namibian economy is highly integrated into RSA economy through its membership of SACU and Common Monetary Area. trading partners of Namibia based on Namibian imports include a dominant South Africa, which accounted for 83.48% of total imports from 1997 to 2001, United Kingdom (2.20%) over the same period, Germany (2.16%), United States of America (1.93%), Russia (0.76%), Spain (0.69%), France (0.67%), while Zimbabwe and China are almost tied up in the 8th position with 0.56% each. The top 5 countries accounted for 90.53% of total imports from 1997 to 2001. Imports from RSA include re-exports.

Table 3: Top 20 countries Namibia imports from (1997 until 2001)

	Total Imports in N$ (CIF value)	% of total imports
S. Africa	41,939,115,945	83.48%
UK	1,104,024,193	2.20%
Germany	1,085,135,803	2.16%
USA	972,070,184	1.93%
Russia	383,821,086	0.76%
Spain	347,270,959	0.69%
France	339,025,204	0.67%
Zimbabwe	282,452,439	0.56%
China	281,036,428	0.56%
Switzerland	192,697,202	0.38%
Netherlands	176,884,846	0.35%
Japan	175,309,399	0.35%
Canada	167,657,243	0.33%
Argentina	149,140,005	0.30%
Italy	146,004,242	0.29%
Belgium	144,870,658	0.29%
St Vincent	136,647,263	0.27%
Malaysia	124,448,709	0.25%
N. Zealand	123,279,860	0.25%
Chile	115,893,062	0.23%
Total Top 5	45,484,167,211	90.53%
Total top 20	48,386,784,730	96.31%

Source: CBS 2002

This level of dependence on one source is not healthy at all. It is therefore necessary that Namibia works deliberately on diversifying its import source countries as well as its import products. This will of course take time and a viable strategy, which will guard against Namibia suffering from adjustment effects, will have to be pursued.

8. Namibia's Trade Relations and Policies

Namibia is a member of the Southern African Customs Union (SACU), the Southern African Development Community (SADC), The Common Market for the Eastern and Southern Africa (COMESA), COTONOU Agreement, the World Trade Organisation (WTO), International Monetary Fund (IMF) and the World Bank, just to mention some. The country is also a signatory to some bilateral Preferential Trade agreements, including the African Growth and Opportunity Act (AGOA) and the Namibia – Zimbabwe Preferential Trade Agreement.

8.1. African Growth and Opportunity Act (AGOA)

AGOA was first signed in law during May 2000 by then US President, Bill Clinton. AGOA provides tangible incentives for Sub-Saharan African countries to continue with their efforts to open up their economies and build free markets. The agreement started with 35 countries and is now increased to 38.

AGOA provides reforming African countries with the most liberal access to US markets and it is helping Africa to find opportunities to build prosperity by:

- Reinforcing African reform efforts;
- Providing improved access to US expertise, credit and markets
- Establishing a high level dialogue on trade and investment

On December 31 2002, President Bush approved the designation of 38 Sub-Saharan African countries as eligible for tariff preferences under AGOA, after Gambia, Rwanda and the Democratic Republic of Congo have been added to the list. As required by the legislation, this annual determination signifies which countries are making continued progress towards a market-based economy, the rule of law, free trade, economic policies that will reduce poverty and the protection of workers' rights[12]

On the 6th of August 2002, President Bush signed an AGOA Trade Act of 2002, with certain amendments to the initial agreement to expand preferential access for imports (into USA) from Sub-Saharan Africa beneficiary countries. These amendments are collectively referred to as AGOA II. Namibia and Botswana were not treated as Less Developed Countries (LDCs) under the first AGOA agreement because of their per capita GNP, which exceeded U$1,500 in 1998. But this has changed under AGOA II, where special arrangements have been made to designate these two countries as LDCs, for them to enjoy the enhanced benefits under AGOA II.

[12] Source: http://www.whitehouse.gov/news/releases/2003/01/20030104-1.html

AGOA regime has put in place stringent measures to guard against potential transhipments from non-eligible countries through AGOA eligible countries. As part of ensuring that only eligible countries benefit under the AGOA regime, USA authorities require from benefiting countries to prevent transhipment practices, through a rigorous visa system. This system has been designed particularly for apparel and textile exports into the USA.

The US imports from Sub-Saharan Africa during 2002 are predominantly from Nigeria (33.3%), South Africa (22.5%), Angola (17.4%) and Gabon (8.9%). These four countries accounted for around 82% of US imports from Sub-Saharan Africa during 2002. It should be noted that the dominance of Angola, Gabon, Nigeria and RSA reflects the role of their mineral exports, especially for the oil producing countries of Angola, Gabon and Nigeria. South Africa too, is a major mineral exporter to the USA.

US exports to Sub-Saharan Africa during 2002 are also highly concentrated, dominated by South Africa (42%), Nigeria (18%), Angola (6.2%) and Kenya (4.5%). These four countries accounted for 70% of US exports to the Sub-region.

8.1.1. Namibia and AGOA

Namibian exports to USA were valued at US$57.4 millions (customs value) during 2002 compared to U$37.3 million and US$42.3 million during 2001 and 2000 respectively. Most of these exports were agricultural and forestry products shipped under the GSP provisions of AGOA.

Because of the narrow economic base as described in the preceding chapters, Namibia's exports would remain limited for a long time to come despite duty-free market access provided by AGOA and GSP. While AGOA is certainly beneficial to the economies of Sub-Saharan countries, there would have been little benefits accruing to Namibia, for instance had it not been for the special provision on apparels, which allows Less Development Countries (defined as having less than US$ 1,500.00 per capita income per annum), which definition excludes Namibia. However, AGOA II grants Less Developed Beneficiary Country status to Namibia, thus, making it qualify under the Special Rule on apparels and textiles.

In short, this Special Rule allows apparels assembled in AGOA eligible countries from non-U.S., non-Sub-Saharan African fabric ("third country" fabric) duty-free access. Therefore, exports by Ramatex Textiles Namibia, which is produced with inputs from outside Namibia and from non-AGOA countries, qualify for AGOA duty-free access. After all, Ramatex decision to set up operations in Namibia was determined largely by Namibia's AGOA eligibility. This massive investment of over N$ 1.0 billion and already employing over 4000 Namibians would help Namibia to reduce significantly its over-dependence of export of primary products (mineral, fish, livestock etc).

In order to increase benefits from AGOA, Namibia has to embark upon deliberate product and market development strategies. The role of SMEs in economic development as a vital instrument in poverty reduction has to be extended to SMEs in foreign trade and especially trade with the USA under the AGOA regime. In this connection, the current program by the USAID on SME development in Namibia has to focus on elements of trade development, such as information on specific markets Namibian producers including SMEs may exploit, customs procedures and non-tariff barriers in the USA.

Other products which might be considered for export under AGOA are the table grapes, dates, leather products, especially ostrich (meat, leather and features), dimension stones and semi-precious metals. For the ostrich leather products, further development of leather products could be considered. In overall terms, the development of full blown leather sector might be considered as viable and sustainable option given Namibia's significantly large animal population of over 5,000.000 and potential to increase ostrich production, given Namibia's favourable climatic conditions for ostrich farming. Such a strategy would be important in the context of recent attempts by the Government of Namibia to reduce export of live animals to RSA.

Namibia is rich in dimension stones, which are currently exported mostly in the form of blocks, which undergo processing in other countries, such as RSA, Germany etc. Dimension stones include granite, guldenrot granite, black granite, aragonite etc. These dimension stones are used for manufacturing of a variety of products, such as table tops, ornaments, floor tiles, tomb stones interior and external cladding. While export potential appears to exist in this sub-sector, it has to be stressed that significant investments are likely to be required.

Export of furniture, especially for upmarket segment might be a possibility. With possible export of furniture under AGOA, now defunct MKU factory in Okahandja might be rehabilitated, with the view to market its products in the US market. This strategy could generate import of timber from Angolan province of Cuando Cubango, which is rich in forestry and timber products.

Although most of Namibia's fisheries products are exported to Spain and RSA, exports of fisheries products could be possible with further product development in this sector, i.e. orange roughy could be exported under AGOA. This is an upmarket product. Further piloting process may be necessary to ensure viability of the product.

Recent studies by UNIDO found that Namibia possess good quality clay for ceramic products around Mariental and other sites. Foreign direct investments in this area need to be encouraged.

In conclusion, Namibia has a fairly diversified raw material base to start manufacturing of different products, which could be exported under the AGOA regime. What is clear, however, is that Namibia has to continue to try to attract foreign direct investments to bring in required technology to manufacture variety of products for export markets. Only this strategy would be able to reduce declining terms of trade of most SSA countries.

8.1.2. Challenges phasing Namibia and its SSA beneficiaries in AGOA

The following are the challenges facing AGOA eligible countries:

Limited range of products available for exports on the part of the SSA beneficiaries

Many SSA countries economies are principally based on a rather few product range, which in turn influence products to be exported. In many instances, these are primary raw material exports, which are susceptible to erratic price swings in the international market, thus making the development process of many of the SSA countries unpredictable at best and at worst prevented it. Therefore, for SSA beneficiaries to significantly increase their benefits under AGOA, product diversification is of utmost importance. This would in the medium to long term improve the declining terms of trade of most SSA countries.

US SPS measures and complex customs procedures

US has complex and detailed SPS and customs procedures to be complied with by SSA exporters. These have often frustrated good intentions of the AGOA and other preferential market access regimes. This problem was recently discuss between the US authorities and COMESA delegation, during latter's visit to USA. There are various initiatives by US authorities to have these problems and barriers to be addressed through information and training for SSA government officials and private sector operators.

Lack of economic and political reform

Many SSA countries are not entirely prepared to go down the road of economic and political reform, which are necessary for them to qualify as AGOA beneficiaries. As such, some countries have failed to attract FDI and thus are unable to have their competitiveness and growth increased.

Lack of information on US economy, markets and regulations

Most SSA countries exporters are largely ignorant about markets, regulations and trends in the USA. Information gap should be narrowed, through increased market research and dissemination of market information.

Lack of investment in many AGOA beneficiary countries for them to benefit from AGOA trade preferences

In 2001, SSA accounted for less than 1% of the world's FDI inflows. Foreign direct investments in Africa took place mostly in countries, which possess strategic natural resources, such as oil. Therefore, without significant FDI, it has been impossible to generate growth and attract further investment and generate trade.

Tariff barriers in many AGOA eligible countries

Tariff barriers of AGOA beneficiary many countries remain relatively higher. And in addition, most SSA countries have not signed up to Information Technology Agreement. This has impeded SSA ability to attract investment and bring about competitiveness and growth. For instance, Namibia as a member of SACU has relatively higher tariff on imports from non-SACU countries.

Slow pace of privatization and commercialization and limited scope of privatization in many SSA

Privatization of state owned enterprises has been part of economic reform measures. However, many of the AGOA eligible countries have not been hugely successful to implement privatization of key state owned enterprises. In many instances, some of the state owned enterprises have remained a drain on state resources and impede competition and efficiency.

Human resources constraints both in public and private sector

Trade process requires sufficiently qualified human resources both in private and public sector. In many countries this is unfortunately not the case. The HIV/AIDS pandemic is taking its toll on already stretched human resources of many the SSA countries. This problem is particularly acute in countries, such as Namibia which inherited weak educational system.

Production costs as a result of small size of potential export facilities in many SSA countries

Many of the SSA economies are relatively small and their production costs are as a result higher and thus render them less competitive in relation to countries with relatively largely economies.

Inadequate transport and communications infrastructure in many beneficiary countries

Many SSA countries are being handicapped by aging transport and communications infrastructure. This has in turn hampered trade even among neighbouring countries. To overcome these bottlenecks, investments in equipment and management resources are required.

Lack of adequate pre-export financing facilities in many countries

Many countries do not have export financing schemes, which would take care of pre and post export finance requirements of exporters. This has impeded meaningful exports as exporters, especially SMEs are often cash-stripped.

8.2. Namibia – Zimbabwe Preferential Trade Agreement (PTA) 1993

As Namibia and Zimbabwe wanted to improve their existing trade relations, they decided to enable each other to trade in classified product groups up to specified annual quantities. The PTA was necessary because Zimbabwe is not a member of SACU, but it is an important trading partner of Namibia. Tradable product categories under this agreement include minerals, animal and fish products, vegetables, forest and products obtained therein. These goods are free of customs duties (including surcharge on imported goods), but not on sales taxes. These specified goods need to be grown, produced, manufactured or to have at least 25% of manufacturing costs performed in Namibia for their exportation to fall under the agreement.

Services like samples, publicity material and temporarily imported goods are exempted from this agreement. The certificate of origin, a good declaration form and a letter that states the value of the goods must accompany exported goods specified in this agreement. Another aim of the PTA agreement is to facilitate the organisation of trade fairs and exhibitions in either of the two countries and the transit through the territories of Namibia and Zimbabwe. A Joint Permanent Commission has been established to facilitate the bilateral cooperation.

Namibia and Zimbabwe traded goods worth N$444.5 million between them over a five-year period from 1997 to 2001, where Namibia exported some N$162 million and imported N$282.5 million worth of goods from Zimbabwe. Namibia imported products such as sugar and sugar confectionary, mat and edible offal, articles of apparel and clothing accessories, articles of iron or steel, articles of leather, saddlery & hardness, travel goods, rubber & rubber products just to mention the major items. Namibia’s exports to Zimbabwe consisted of items like beverages, sprits and vinegar; fish, crustaceans, molluscs & other aquatic invertebrates; railway locomotives & parts thereof; residuals, waste from food industries, prepared animal fodder etc; used household and personal effects; electrical machinery, sound recorders/reproducers, TV’s and parts thereof.

Under this agreement, Namibian fish exports performed quite well in the early and late 1990s. In fact fish exports started to threaten Zimbabwean poultry sales in Zimbabwe. However, with current the current economic climate in Zimbabwe, trade between the two countries is likely to be affected negatively. At least, under this agreement Namibia has been able to direct .40 % of its total exports to Zimbabwe and at the same time sourced .56% of total imports from Zimbabwe.

8.3. The SACU Agreement

South Africa, Botswana, Lesotho and Swaziland established the Southern African Customs Union (SACU) in 1969 as a continuation of their customs union arrangements that have been in force since 1910. The goal of SACU is an improved economic development in the region and particularly for less advanced members. This South African dominated customs union has established a Common External Tariff (CEF) and a common Revenue Pool for all members. Namibia joined SACU in upon getting its independence in 1990, after having been a *de facto* member. The old agreement has been renegotiated and the new SACU agreement, which aims to democratise SACU facilitate common sectoral policies among member states and to deepen regional integration, has then been signed by the heads of state in Gaborone, Botswana in October 2002. This agreement has been already ratified in the Namibian parliament on the 5th of March 2003, with its Head Quarters to be hosted by Namibia. As customs union, important element of the SACU regime is its Common Revenue Pool, which provides over 30% of Namibia total revenue.

As a result of trade, which is concentrated with South Africa as illustrated, Namibia runs a massive trade deficit with SACU, from which is sources about 87% of all imports. In turn Namibia exports about 26% of its total exports to SACU, mainly to RSA. Given these figures, SACU remains the most important Namibia's trading partner, both in short to medium term and it is inconceivable to see significant changes in this relationship, which has now been strengthened with the new SACU agreement.

8.4. The Southern African Development Community (SADC)

Originally, regional security and solidarity were the main motives for the formation of the Southern African Development Community (SADC), which was earlier known as the Southern African Development Coordinating Conference (SADCC). Today, SADC's main goals are to form common political interests and support higher trade and investment flows between member countries. The Trade Protocol, which was signed in 1996 and became effective in April 2000, sets several targets, including the establishment of a Free Trade Area (FTA) in order to create new business opportunities.

In terms of the SADC Trade Protocol, tariff reduction has three essential phases, i.e.

Phases 1: Immediate liberalization of all agricultural goods as soon as the Protocol has taken effect and liberalization of 63% of all industrial goods traded in the SADC.

Phase 2: - 37% of industrial products and 10.5% of agricultural products. Their tariffs would be removed only after the Protocol has been in operation for three years.

Phase 3: (sensitive products) – comprising of only 2.8% of all agricultural products. Their tariffs would be removed only after the Protocol has been in operation for eight years[13].

After eight years of the Protocol, SADC would have created a FTA, with zero tariffs across the Community.

Of course, while issues of tariffs are also being addressed, there are non-tariff barriers (NTBs) are to be removed. These include various import/export licensing systems, SPS regimes, transit documents etc.

SADC now consists of 14 member states, namely, Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

8.5. The Common Market for the Eastern and Southern Africa (COMESA)

COMESA is a regional integration group of 21 African States who want to develop a strategy of sustainable economic development. It was established in 1994, replacing the Preferential Trade Area for the Eastern and Southern Africa (PTA). COMESA aimed to increase the share of trade within its member states and has initially agreed to reduce tariffs and import duties by 90% in 1998 and by 100% in 2000

Namibia, along Swaziland is non-reciprocal member of COMESA. This category of members means that Namibian exports can enter the COMESA market duty-free or at preferential rates for COMESA countries, which have not abolish tariff barriers against their fellow COMESA countries, but COMESA member countries' imports into Namibia are levied all relevant tariffs and charges.

The co-operation in the area of industrial and agricultural development, in trade and customs matters, as well as the harmonisation of trade standards is one of the main objectives of COMESA. The goal of COMESA is a Free Trade Area (FTA), a Customs Union (by 2004), a free movement of capital and investment, an adoption of common visa arrangements, a Payment Union and later the establishment of a Common Monetary Union by 2020[14].

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[13] SADC Website SADC Trade Protocol

[14] COMESA Website

8.6. The COTONOU Agreement

Cotonou Agreement refers to a comprehensive aid and trade agreement between African and Caribbean and Pacific countries (ACP countries) on one hand and the European Community (now European Union) on other hand, signed in Cotonou, Benin on the 23rd of June 2000. Current Cotonou Agreement has been preceded by Lome Convention, which was first signed way back in 1975. The central objective of the partnership agreement is to reduce and eventually eradicate poverty in ACP countries, while continuing to integrate these countries in the world economy. Unfortunately, poverty levels in many of the ACP countries have actually increased while the living standards of the people of the EU continued to improve. However, the current report does not purport to discuss this any further, as it is outside the scope of the TOR of the current study.

Namibia has been a member of ACP since 1990, and enjoys duty-free exports of beef and bovine (13,000 tons and table grapes 900 tons). Currently, over 50% of Namibia's exports are destined to the EU market. In addition, Namibia has been receiving generous aid through EDF facility and other support windows, which have greatly contributed to Namibia's capacity in various areas of its socio-economic development. In 1998, Namibia received N$ 184.874 million, of which the EU contributed 33.2%[15]. In recent years, a major support in the area of trade and investment under TIDP has been of great value to the Namibian economy. The impact of this support still has to be evaluated.

However, given the WTO regime, which has come to play the dominant role in the global trading framework, existence of Cotonou in its current form, where EU essentially discriminates against other potential and real importers is less than WTO-compatible. And therefore has to be phased out or reformulated.

There is therefore now a movement towards renegotiating Cotonou agreement under so-called Regional Partnership Agreements between the EU on the one hand and several groups of current ACP countries on the other. It is envisaged that ACP countries would be sub-divided into regional groups. It is further envisaged that any agreement or agreements should be reciprocal in both letter and spirit, although asymmetrical, due to varying levels of economic development of members to such an agreement. These negotiations commence in September 2002 and should be concluded by 2008.

South Africa which Namibia's partner in SACU and SADC has a FTA with the EU, and it is difficult to see how Namibia and especially SACU members would position themselves into the new relationship with the EU as they are already in effect in the RSA – EU FTA, by virtue of their SACU membership with RSA. The most plausible scenario would be where Namibia joins with countries, which are at similar level of

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[15] Melber Henning (Edited), Namibia A Decade of Independence 1990 – 2000, Page 156

economic and industrial development, as RSA – EU FTA is structured in line with their particular circumstances.

Given the low elasticities of demand for many of primary products exported by Namibia and other ACP countries to the EU, the post 2008 EU-ACP relationship would become a major challenge to Namibia and many of its ACP partners. It would be important not only to diversify exports but also to increase competitiveness of the export sector. Without diversification and significant improvements in competitiveness, Namibia may not be able to maintain its current market share in the EU market.

9. Angola:

9.1. Overview: Political Economy

After Jonas Savimbi had been killed in combat on February 22 2002 by government forces near Luena, capital of Angola's eastern province of Moxico, intense negotiations began between the Angolan government and high-ranking UNITA officers. As a result the opposing armies signed a formal ceasefire agreement on April 4 in Luanda. The agreement took the form of a "Memorandum of Understanding", and was considered as an Addendum to the Lusaka Protocol of 1994. By August 2002 UNITA military forces formally ceased to exist. UNITA has since undertaken efforts to change from a rebel movement to a political party. A party congress is envisaged for this year (2003), during which a new party president – and successor for Jonas Savimbi – is to be elected. New presidential and parliamentarian elections in Angola are expected to be held not before September 2005.

Angola is a potentially wealthy country, with a population of about 14 million and substantial natural resources. The country has enormous reserves of oil, gas, and diamonds. It has an abundance of fertile agricultural land, and adequate rainfall.

Before independence in 1975, the economy was diversified. Coffee, sisal and cotton were the main agricultural exports; diamonds and iron were mined; oil production reached 170,000 barrels a day (b/d) and light manufacturing was well developed and fairly successful.

War, together with vastly increased oil production, has radically changed the country's economic profile. Offshore oil now dominates the economy, contributing 60 % of GDP in 1999, whereas agriculture only contributed 8 %, and the manufacturing industry 4 %. Oil production is about to reach 1,000,000 b/d. It is expected to rise to 1.4 million b/d by 2005 and to nearly 2.0 million b/d by 2007. Oil currently contributes to about 90 % to Angola's export earnings.

Economic reform has been slow in recent years. The performance of an IMF Staff Monitored Program (SMP), introduced in 1994, was poor. Virtually all of the program's benchmarks were missed. As a result, the SMP expired in June 2001 without establishing a formal IMF- supported program. The SMP had aimed at the implementation of various fiscal, monetary and structural reforms that are essential to higher growth and poverty reduction. These included measures to increase transparency upon spending of oil revenues, as well as an audit of the central bank.

Despite Angola's tremendous natural resources, the economic performance remains poor in all but the oil sector. War, bad governance and widespread rampant corruption have meant that little of Angola's wealth has reached its 14 Million people.

Once self sufficient, today Angola has to import 50 % of its food requirements and the manufacturing sector has largely ceased to exist (Though it still contributes 4% to exports.). While 60 % of the population now resides in urban centres, many of them survive by trading imported goods in the informal sector.

Potentially one of the richest agricultural countries in Africa, Angola's climatic diversity provides vast possibilities for the production of both tropical and semi-tropical crops. Prior to 1975 Angola was self sufficient in food production and was the fourth biggest producer of coffee in the world.

A number of achievements in recent years can however be reported. Banking facilities have improved substantially, also as a result of several foreign banks opening branches in Luanda and even in some provincial capitals. Import procedures have – to a certain extend - been streamlined. Customs procedures are currently being restructured, which may eventually result in cheaper, and more efficient customs services. A new law for private (foreign and national) investment has passed parliament and is expected to be gazetted soon. Inflation – still high though – was brought down. The depreciation of the exchange rate against foreign currencies has declined and the gap between official and parallel exchange rates was eradicated.

9.2. Angola's Economical Environment

Angola's economical environment makes life difficult, not only for existing enterprises, but also for investors – may they be nationals or foreigners. Although the government has officially turned away from socialistic economic principles more than ten years ago, progress towards a business friendly free market economy has been slow. A comprehensive and well thought out reform program has so far hardly been visible. Probably as a result thereof, a huge informal sector has established itself.

9.2.1. The Informal Sector

The Angolan Chamber of Commerce estimates that out of 7.5 million economically active population, about 5.5 million are engaged in the informal sector, while only about 2 million people are employed formally, most of them being employed by the government. Only as little as 50 000 Angolans are estimated to be formally employed by the private sector. The informal sector became so big and powerful that it no longer can only be described as a result of insufficient efforts to reform the economy. The informal sector itself became a serious threat to the formal sector and an obstacle to further economic reform.

9.2.2. Poor State of Angola's Infrastructure

War and bad governance throughout years have furthermore resulted in serious deterioration and destruction of essential infrastructures of the country. Road network throughout the country is in such a state that even some of the biggest towns in Angola can - by modern standards - be described as inaccessible by road. The cost of doing business outside Luanda is directly influenced by the absence of supportive infrastructures such as roads. The cost for hired transport (see section 9.3.8) gives a clear indication for that. Urban centres being cut off from food supplies, potentially existing in the fertile hinterlands, as well as rural people and businesses being without access to the markets, are further consequences resulting from bad or inexistent roads.

- Supply of water and electricity: Failure in the continuous supply of electricity and water will not only result in costly interruptions of businesses or manufacturing processes, but will divert financial resources into the installation of generator units and water reservoirs.

- Communication: Although telecommunication networks have been improved during recent years in and between some bigger cities of Angola, communication is still a significant problem, especially outside the capital, Luanda.

- Security: Most of businesses operating in Angola use private security services in order to protect their property and staff.

- Absence of a functioning juridical system: Business people often rely on a network of "contacts" to safeguard their interests. To create and to retain these networks may work out to be expensive.

- Lack of education and training facilities: Most businesses face a weak human resource base and have accordingly to carry out costly staff training programs and/or employ expensive expatriate staff.

- Lack of medical facilities: Many companies will provide their staff with own medical services.

9.2.3. Financial Implications for Businesses

Doing business in Angola is an expensive undertaking. The payment of "gasosas" (facilitation payments) creates additional costs. Especially the manufacturing sector often is facing considerable problems to compete against imported goods. The current environment does not allow local industries to compete internationally. It is difficult and costly to conduct business and even more difficult and costly to start a business.

The Industrial Association of Angola (AIA), in which more than 1000 private firms are represented (amongst them the biggest Angolan companies, such as Cuca, Endiama and others), is trying hard to influence the government in order to create a more favourable environment for the private sector.

For local industries – most of which already existed during colonial days, and today desperately need to modernize their out of date production plants – the access to affordable financing seems to be the biggest problem. 12 % interest on US $, without any grace period, are unaffordable by most companies. Ninety percent (90) to 100 % interest on local currency (at an inflation rate expected to be between 100 and 120 %) sounds rather attractive. Due to the unpredictability of the local financial market, financing by local currency is however considered as too risky by many.

9.2.4. Angola's Oligarchy of Importers

The bulk of consumer goods consumed in Angola are imported by an oligarchy of eight (8) groups, amongst them Brazilian, Portuguese, Lebanese and Arabs. These groups are believed to have gone into joint venture operations with strong and influential Angolan partners. It is expected to be difficult for newcomers to get a significant share of Luanda's import market. But also the revival of the manufacturing sector in Angola is opposing these importers' economical interest. Some local flour-mills consequently had already to close their doors as they were driven out of the market by cheap flour imports.

The above importers are however believed to concentrate onto the market of Luanda, where most of Angola's buying power is concentrated. Especially in Angola's southern provinces the situation is entirely different. South African goods have so far dominated theses markets.

9.3. Public Services, Regulations, Laws

9.3.1. Angola's Customs Services

Already in June 2001, Crown Agents (a British company charged to facilitate reforms in Angola's customs administration), started to consult and to assist the Angolan customs authority at important import points of the country, such as the ports of Luanda, Lobito and Namibe, as well as at Luanda's international airport. Angolan customs official emphasized that the Angolan Customs have not been privatized, but that Crown Agents task is to assist and to consult the Angolans. The key objectives for the program to reform the Angolan Customs as set out in an official information paper, called "Angola – Update". The program aims:

- To substantially increase non-oil revenues, while reducing clearing times and transaction costs for the administration and importers
- To improve the vocational and administrative skills of staff at all levels

- To create an environment of fairness and justice in the application of customs taxation policy
- To bring about changes in the legislative framework and operating procedures
- To increase accountability and transparency

An official customs bulletin expresses its satisfaction regarding the new program, by explaining that customs revenues have increased by 53 % during the first eight months of 2002, compared to the same period in 2001. This is mainly attributed to increase efficiency in customs administration as corruption and bureaucratic red type are being reduced under the Program.

A time frame of 5 years is envisaged to complete the restructuring process. The restructuring consists of two major components.

- The restructuring of the customs services itself
- Tightening of financial control.

In the past many Angolans have been taking huge amounts of hard currency in cash across Angola's borders in order to conduct their purchases abroad. In future importers will have to provide proofs for payment by bank transfer. For that purpose banking facilities are to be established along important border posts, such as Ondjiva in southern Angola.

9.3.2. Import Regulations in Angola

For goods exceeding US$ 5000 an import license is required. The Angolan customs also demand an import permit (BRI), to be issued specifically for the goods to be imported, by the Angolan Ministry of Commerce. It is however expected that this document, currently the government's basis to obtain statistical data on imports, will eventually - and in line with increasing computerization - be abolished.

Furthermore a "Clear Report of Findings" - issued by an internationally operating company called BIVAC - is required. The report will be issued after export goods have undergone a pre-embark/loading inspection, in order to confirm international standards in respect of price, quality, quantity and other characteristics. As from February 2003 – for instance - labelling of all goods entering Angola has to be in Portuguese. The report will be issued free of charge. It is expected that BIVAC will open an office in Oshikango soon. A fine of 100 % - based on the payable customs duties - will be levied on goods entering the country without a clear report of findings. In that case the inspection will be made up for locally. (The report seems to be necessary for imports into Angola not for exports as stated in the second sentence.).

In return for a fee, of not more than 2 % of the value of goods to be imported, private clearing agents (despachantes) do carry out customs clearing. The use of a clearing agent has in the past been compulsory. The new regulation allows importers to carry out clearing by themselves. Regular training courses are offered by the Angolan customs in Luanda. The private sector is welcome to send members of their staff to participate.

The clearing process is currently being simplified. The so-called “Documento Unico” (Unique Document) is replacing the confusing multitude of previous documentation. This document is already in line with efforts to harmonize customs regulation within SADC countries.

Import costs mainly consist of import duties and a consumer tax (VAT). There are 6 different categories for import duties (2 %, 5 %, 10 %, 20 %, 30 %, 35 %), and 6 categories for consumer tax (exempted, 2 %, 5 %, 10 %, 20 %, 30 %). A total of 2 % (2 (%?) import duty + zero VAT) is be charged for essential goods, such as basic food items. A total of 15 % (10 + 5) is be charged for vehicles, 50 % (30 + 20) for beverages, such as beer and soft drinks, and as much as 65 % (35 + 30) for spirits and liquors.

Import duties and import taxes can be looked up in the “Pauta Aduaneira” which is currently being actualized. This document, which distinguishes among 376 different commodities, is based on international commodity coding (HS code). The book is available at Angolan customs offices for the amount of US $ 27.00.

In addition to duties and taxes a few minor fees will be added, plus – of course – the above-mentioned cost for the clearing agent, in case that an agent is to be used.

Not all clearing agents have been honest and reputable in the past. Some are believed to have abused to their own advantage the complex import regulations. Due to the new regulations competition amongst clearing agents is expected to become more pronounced, which will hopefully result in more transparent and efficient process of clearing goods.

Additional information regarding the Angolan customs can be obtained under www.minfin.gv.ao,

http://www.minfin.gv.ao/alfan/arqalfan/dou.pdf (is a link to the import unique document -Documento Único)

The screen shot below gives an example of the way information are displayed at the web page of the Angolan Ministry of Finance.

9.3.3. Angola's New Investment Law

A new law for private investment has recently been passed by the Angolan parliament, but is yet be gazetted. Some important differences to the old law are however already known. The new law does not any more distinguish between investments carried out by nationals and foreigners. The "**Institute of Foreign Investment**" will accordingly change to "**Agency of Private Investment**". In the new law investment procedures are believed to have been streamlined.

Investment proposals will have to be submitted to the new agency. Investment operations valuing less than US$ 250 000 are however not considered as foreign investment and are subject to normal commercial and foreign investment regulations.

It remains to be seen to what extend the new law will accelerate and facilitate investment procedures and reduce costs. So far a minimum of US$ 7 500 is being charged for the (compulsory) service provided by the institute.

9.3.4. Registration of a Company

To accelerate and to facilitate bureaucratic procedures the streamlining of the investment law is essential, but not sufficient. Complementary measures will have to follow. The registration of a company, for instance, still is a complex and time consuming undertaking, which requires the involvement of not less than 4 different ministries, namely the Ministries of Justice, Finance, Commerce and Planning. The registration of a company usually does not take less than 6 months, unless under table acceleration fees are paid.

The establishment of a new one-stop-shop centre (Guiché Unico) has been announced. No information was however available about when the new authority is expected to open.

9.3.5. Angola's new land law

A proposal for a new land law is currently being discussed in Angola. The land issue has become a sensitive issue in some parts of Africa and has - to a certain extend – been used by potential investors as an instrument to judge the credibility of governments and accordingly to judge the political risk involved in respect of possible investments.

The new law is expected to grant access to land, not only to nationals, but also to foreigners. While urban land is expected to be for sale, access to rural (agricultural) land will mostly likely to be granted by means of renewable 50-year concessions.

Angola's farming land is not divided into commercial and communal areas, like in Namibia. Before a title is granted to an investor, the traditional authorities of the region will have to be consulted.

9.3.6. Taxes

Firms operating in Angola will have to pay the following taxes:

Imposto de consumo (similar to VAT): this tax is to be paid on imports and goods manufactured in Angola. The level of taxation (2 – 30 %) depends on the type of goods being imported or manufactured. This tax cannot be reclaimed, as it is for example the case in Namibia. Imported capital goods and raw materials are exempted. (What is the basis on which the tax is charged: the total value of the good or the value added? If it is the first then it is not a VAT but a Sales Tax.)

Imposto Industrial (Company tax): 35 % on profit, payable once a year.

Imposto sobre a Apliccao de Capitais (capital gains tax): usually 15 %

Imposto Predial urbano: a tax payable once a year on houses and other buildings. Tax level depends on size of building, number of rooms etc.

Imposto sobre o Rendimento de Trabalho: Income tax (PAYE), usually 15 %

Surface tax (mining): levied according to the size of surface area being mined

Royalties: Royalties of 3 – 10 % of gross value of the minerals produced.

Corporations face an industrial tax of 40 %, with some companies being taxed on their actual profits, some on their presumptive profits, and some on estimated potential profits, depending on which group they fall into. Foreign corporations are subject to the same tax system as local companies. The Angolan government has no double taxation agreement with any country. Businessmen describe the Angolan tax system as complex, difficult and cumbersome to administer[16].

9.3.7. Banking and Financial Matters

Currently there are 8 commercial banks doing business in Angola, of which 4 are Angolan banks (state owned and private), while the others are foreign banks.

Banco de Poupança e Crédito (BPC)	state owned commercial bank
Banco de Comércio e Indústria (BCI)	state owned commercial bank
Banco Africano de Investimento	Angolan private bank
Banco Comercial Angolano	Angolan private bank
Banco de Fomento e Exterior	Portuguese private bank
Banco Totta e Açores	Portuguese private bank
Banco Português e Atlântico	Portuguese private bank
Banco Espírito Santo	Portuguese private bank

There are branches of at least two private commercial banks in the towns of Benguela, Lobito, Lubango and Namibe.

Credits being granted by commercial banks to either businesses or individuals are something that only very recently came into being. At interest rates of about 12 % (based on US $) credits are rather expensive though. At interest rates of between 90 and 100 % money can be borrowed in local currency. Considering an inflation rate of over 100 %, a credit in local currency could work out to be a bargain. Many however fear the unpredictability of the Angolan financial markets.

Cheque payments: Very few ordinary Angolans make use of cheque accounts and payments by cheque respectively. In the light of an inflation rate of over 100 % and rapidly deflating local currency, people tend to rather spend their money, or change it into hard currency, rather than depositing it onto a bank account. Payments between companies are usually carried out by bank-guarantied cheques. Foreign currency accounts are allowed for companies. International transfers are however also possible from local currency accounts, from where transfers are conducted at the exchange rate of the day.

International transfers – a time consuming and difficult undertaking in the past – have eventually become easy and less bureaucratic, and are subject to the

[16] NEPRU, Report on Angolan Market 2002, Page….

presentation of just a pro-forma invoice and the import permit (BRI). Transfer costs will range between 1 and 1.5 % of the import value for normal transfers; and between 3 and 5 % for transfers carried out by “irreversible and confirmed letter of credit”. The latter is recommended by banks for values exceeding US$ 30 000.

According to Angolan law, international payments may only be carried out, once goods have been shipped, which is to be proved by presentation of invoice and bill of loading. In reality banks will conduct transfers for trusted clients prior to shipment, giving them up to 90 days time to prove arrival of goods.

In Luanda credit cards are accepted by internationally active firms and in more reputable hotels. Most places – and especially in the provinces – will only accept cash.

Money should be changed at banks, or in bureau de exchange. Changing on the street is forbidden, and should be avoided. Big supermarkets have their own bureau de exchange.

According to plausible rumours in Luanda, the government intends to eradicate the US $ as a second currency next to the local currency Kwanza. In future – so the rumours – foreign currency accounts will be allowed to conduct international transfers. Drawing cash will only be possible in Kwanzas at the exchange rate of the day.

9.3.8. Transport Matters

Due to time consuming and costly procedures to temporarily import a Namibian or South African vehicle into Angola, transport in Angola is almost entirely carried out by Angolan transport operators. The extreme level of insurance premiums, payable for vehicles and cargo leaving Namibia towards Angola, may have added to this. Reloading cargo goods from a Namibian to an Angolan truck sometimes becomes a sweat dripping and time-consuming procedure, as no crane or forklift exists in Oshikango, able to cope with heavily loaded containers.

Although most Angolans would describe their roads as “reasonable” most of Angolan roads are in deplorable state of repair. It will take a loaded truck close to 24 hours to cover the 370 kilometres between Ondjiva and Lubango. Three days will be needed for the 350-kilometer stretch linking Lubango to Benguela. Transport costs are therefore high in Angola. This is not only caused by the state of the roads, but also by the fact that trucks – due to lack of cargo – usually return empty to Angola’s southern border. But especially now, at a time when most trucks are grounded (see below) due to a significant drop in demand for transport, competition amongst transporters is believed to be fierce. Transport rates may be negotiable as a result. The following rates (USD per ton) can be used as a guideline for transport costs to be expected in Angola.

Table 4: Transport costs in US$ per ton

From	To	Cost per ton (US$)
Santa Clara	Lubango	50 - 70
Santa Clara	Benguela-	120 - 150
Santa Clara	Huambo	120 - 150
Santa Clara	Luanda	180 - 250

9.3.9. Business Service Organizations (BSOs)

There are some organizations existing in Angola, which can – to a certain extend – assist foreign companies to establish themselves in Angola, or to establish linkages between foreign and Angolan businesses. Their ability seems however to be limited, either because business service to foreigners is not part of their main objective, or purely, because of limited financial and human resources. Additional constraints are caused by the fact that hardly any statistical data are available in Angola. Accordingly, it may be extremely difficult - as for example – to conduct a market survey or to carry out a feasibility study. It follows a list of some institutions that may be of importance. AIA (Associacao Industrial de Angola): With more than 1000 businesses, AIA is the by far strongest association of businesses in Angola. AIA's main aim is to force the government to create a more favourable economic environment. Some useful information can however be obtained from AIA, be it by their annual report, or be it by direct contact to AIA. AIA furthermore hosts and organizes Luanda's international fair "FILDA", which is a big annual event with lots of national and international publicity.

Angolan Chamber for Commerce and Industry: This chamber provides the following services:

- Assistance in registration of a company
- Contact facilitation between companies
- General consultancy
- Conduction of feasibility studies and market surveys
- Advice on import regulations
- Assistance in acquiring visas
- Translations
- Training courses in subjects, such as accounting, English language, general administration, EDP

There are the following business associations in Angola. They are at various levels of operation in terms of their practical usefulness to their members.

- Association of Business Women of the Province of Luanda (ASSOMEL)
- Hotel Industry & Owners Association of Luanda (HORESIL)
- Association of Young Entrepreneurs (AJEA)
- International Fair of Luanda (FILDA), hosted and organized by AIA
- Association of Women Entrepreneurs of Cabinda (ASSOMECA)
- Luanda Island Commercial and Industrial Association
- Angolan Entrepreneurs Society
- Farming, Commercial, and Industrial Association of Huila (AAPCIL)

Members of AAPCIL, situated in Huila's capital Lubango are keen to cooperate with foreign businesses and may well be of critical importance for foreigners who are interested of doing business in that region.

9.3.10. Donor involvement in Angola

The most important donors for Angola are the USA and the EU. The donors have in the past predominantly concentrated on humanitarian and emergency relief aid. Support for international trade and SMEs is planned for the future once the basic needs of the Angolan population are covered (food, shelter, medical aid, education). There are still about 2 Million internally displaced people in Angola. In order to assist them, the donor community will for the time being, continue to concentrate on humanitarian aid. At this stage the economic activity of Angolan people is still a matter of survival, rather than of thoughts into a more distant future.

During 2002 the US government spent US$ 128.2 million on aid in Angola, of which about 80 million were spent on food aid. Most of the remaining money was spent on health, HIV/Aids, agriculture, democracy & governance, and humanitarian de-mining activities. Relatively small amounts were spent on adult literacy (800 000) and on child survival (900 000).No trade promotion has so far been carried out by USAID.

In the context of a "country strategy paper" the European Community has earmarked 210 million Euro for the next 5 years. This program includes a "Reconstruction Support Program" (PAR), which aims at the repair of secondary roads, the erecting of schools, health centres and other social infrastructures in the central highlands of Angola. Due to the weakness of Angolan institutions, it is questionable, whether it will be possible to spend the entire amounts set aside.

A loan of Euro 43 million has been earmarked for the Angolan airport company ENANA. It is hoped that this will be picked up as a signal, which loans can be obtained from the European Investment Bank. Euro 2.4 billion have been set aside by that institution for private investments in the 77 African Caribbean Pacific (ACP) counties. The details, about how this program is to be implemented, are still unclear, since the new Cotonou – program was only agreed upon as recently as February 2003.

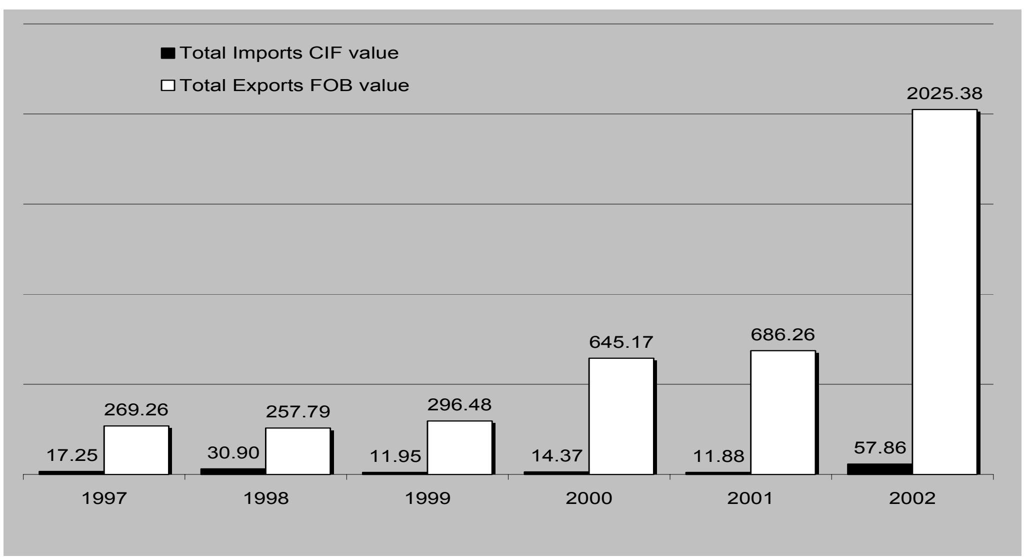
As for the United States, trade is not a major concern for the delegation of the European Community in Angola.

A donor conference has again and again been postponed. If and when it is ever going to take place, remains unclear at this stage. Angola is expected to loose more and more interest in a donor conference, the more this occasion is pushed into a more distant future. However, donor countries meet regularly to co-ordinate aid activities for themselves.

10. Trade Profile: Namibia-Angola

Namibia has a positive trade balance with Angola, i.e. it exports more than it imports. The end of the civil war in Angola in 2002 has accelerated trade between Angola and Namibia to a large extent. Imports have increased by nearly 500% in 2002 compared to 2001 and exports rose by nearly 300%).

Figure 3: Trade with Angola in million N$



Source: CBS 2002

Looking at Figure 3 and Table 6, we see that imports from Angola to Namibia are really insignificant. This picture is likely to remain unchanged as long as the Angolan economy has not been revived significantly. Once the Angolan economy has revived and its industrial sector is back on stream, which should really take sometime, one would expect Namibian imports to increase.

Table 5: Top 10 import products, 1997- 2001

HS 6digit Code	Import CIF Value N$	% of total imports for that period
"Fish fillets, dried, salted or in brine, but not smoked"	1,196,170	1.39%
Other carbonates; peroxocarbonates	1,308,612	1.52%
Seamless iron or steel drill pipe of a kind used in drilling for oil/gas	1,649,763	1.91%
"Interchangeable tools for drilling, other than for rock drilling"	2,295,527	2.66%
"Waters, (incl mineral & aerated), contg added sugar,etc"	2,453,005	2.84%
"Other inorganic compounds; liquid/compressed air; amalgams, nes"	3,490,996	4.04%
Beer made from malt	4,135,917	4.79%
"Fish fats, oils and their fractions (excl fish liver oils)"	5,444,282	6.30%
"Live bovine animals, other than pure-bred breeding"	6,340,037	7.34%
"Flours/meals/pellets of fish, etc, unfit for human consumption"	34,423,369	39.86%

Source: CBS 2002

Interestingly the export products are to a lesser extent products that could be seen as investment good but rather consumption goods. Tables 5 and 6 show top 10 import and export products respectively. Among the top 10 exports to Angola, there are no investment goods. Whiskey makes up for 4.30%, soft drinks for 10.33% and beer for 20.81% of total Namibian exports to Angola.

Table 6: Top 10 exports products (FOB value), 1997-2001

HS 6digit Code	Exports FOB value in N$	% of total exports for that period
"Soap and organic surface-active products in bars, etc, for toilet use"	25,338,419	1.18%
Used personal effects	25,530,423	1.18%
Prefabricated buildings	35,040,320	1.63%
Cigarettes containing tobacco	40,835,635	1.89%
Sunflower-seed & safflower oil (excl. crude) & fractions	57,462,419	2.67%
"Waters, (incl mineral & aerated), contg added sugar,etc"	83,042,355	3.85%
"Raw cane sugar, in solid form"	86,352,443	4.01%
Whiskey	92,644,985	4.30%
"Other non-alcoholic beverages, nes"	222,551,536	10.33%
Beer made from malt	448,525,785	20.81%

Source: CBS 2002

The risk of Namibia's export portfolio is that current increases in exports will not be sustainable since they seem to cater for the demand of consumption goods that were not readily accessible during the civil war. It would be in Namibia's interest if the export portfolio would become more balanced towards building supplies and reconstruction services in future.[17]

Table 7: Top Exports in terms of Growth

6 Digit HS Code	Growth in 1998 compared to 1997	Growth in 1999 compared to 1998	Growth in 2000 compared to 1999	Growth in 2001 compared to 2000	Growth in 2002 compared to 2001	Share of total exports in 2002
Motorized tanks....armoured fighting vehicles & parts thereof				13.7%	2804.1 %	0.87%
Portland cement (excl. white)	111.7%	565.2%	74.8%	133.9%	114.1%	1.02%
White portland cement	81.3%	253.9%	268.6%	133.9%	114.1%	1.02%
Colour TV receivers, whether /not with radio/sound/video recording/repro"""	109.0%	70.8%	105.3%	125.6%	134.4%	1.03%
"""Freezers of the chest type, =< 800 litre capacity"""	158.4%	294.3%	71.4%	103.4%	122.9%	1.06%
"""New pneumatic tyres, of rubber, used on buses or lorries"""	83.2%	74.7%	115.3%	86.2%	120.8%	1.16%
"""Waters, (incl mineral & aerated), contg added sugar,etc"""	67.0%	54.0%	15.0%	556.7%	36.7%	1.16%
Zinc plates, sheets, strip and foil"""	87.7%	233.2%	73.7%	161.4%	304.7%	1.29%
Structures and parts of structures, nes, of iron or steel"""	85.6%	342.0%	141.5%	163.3%	168.8%	1.31%
Sugar confectionery, not containing cocoa, nes"""	344.2%	308.9%	98.9%	168.2%	168.7%	1.44%
Household and toilet articles of plastics, nes"""	593.8%	51.3%	285.8%	174.1%	210.6%	1.74%
"""Wooden furniture, nes"""	86.3%	140.1%	76.1%	114.0%	400.1%	2.02%
"""Vehicles with spark-ignition engines, cylinder 1500 - 3000 cc"""	225.5%	83.6%	76.0%	101.9%	260.0%	2.64%
Sweet biscuits; waffles and wafers	190.8%	161.3%	77.2%	379.5%	453.7%	2.83%
Waffles and wafers	190.8%	161.3%	77.2%	379.5%	453.7%	2.83%

[17] More information concerning export and import products can be found in the appendix.

"""Raw cane sugar, in solid form"""	49.6%	154.6%	144.2%	131.4%	71.7%	3.85%
"""Video recording or reproducing apparatus, magnetic tape-type"""	214.3%	25.7%	154.2%	214.7%	3702.0 %	4.15%
Whiskey	90.7%	239.0%	96.0%	86.2%	99.5%	4.45%
"""Other non-alcoholic beverages, nes"""	84.1%	133.1%	199.5%	65.1%	87.8%	8.72%
Beer made from malt	152.7%	91.4%	76.7%	130.9%	53.0%	12.20%

Source: CBS 2002

We see from the Table 7 that beer and non-alcoholic beverages have maintained a reasonable growth levels and also have much higher share of total exports to Angola, i.e. 12.20% and 8.72% respectively. In the latest export statistics on beer and non-alcoholic beverages, quite a phenomenal growth rate of ………..% has been registered between 2001 and 2002[18].

10.1.1. Trade per Border Post

The main exit point for exports to Angola is Oshikango.

Table 8 shows the absolute values exported through various boarder posts and custom offices to Angola for the period 1997 to 2002. The custom office in Oshakati is the second largest export clearing location.

Table 9: show the value of exports to Angola and the percentage of exports to Angola as percentage of total of Exports to Angola by boarder post or customs office. In 2002 Oshakati's share of the value exported increased dramatically to 55.36% and overtook therefore Oshikango.

Table 8: Exports (FOB value) to Angola in N$

	1997	1998	1999	2000	2001	2002
Eros Airport	150,654	364,431	158,832	469,262	3,270,138	3,196,577
Oshakati	55,258,108	298,261	2,591,431	14,050,284	64,877,363	1,121,173,188
Oshikango	156,133,746	159,236,703	246,127,518	586,879,051	549,209,438	814,500,678
Walvis Bay	3,731,828	32,542,999	20,777,974	25,376,766	38,893,869	51,928,975
Windhoek Airport	1,367,795	3,010,366	6,526,019	17,714,691	24,023,643	21,538,669
Windhoek Regional Office	35,608,215	56,823,777	20,150,186	676,622	5,857,943	13,043,229
Total in N$	269,259,815	257,790,592	296,475,602	645,168,047	686,260,792	2,025,381,316

Source: Namibia Customs

Exports declared in Oshakati however will most likely leave via Oshikango as well. Oshikango remains therefore the most important exit point for exports to Angola.

[18] The Namibian May 1 2003, Page 3.

Table 9: Exports in % of total exports to Angola by boarder post or customs office

	1997	1998	1999	2000	2001	2002
Eros Airport	0.06%	0.14%	0.05%	0.07%	0.48%	0.16%
Oshakati	20.52%	0.12%	0.87%	2.18%	9.45%	55.36%
Oshikango	57.99%	61.77%	83.02%	90.97%	80.03%	40.21%
Walvis Bay	1.39%	12.62%	7.01%	3.93%	5.67%	2.56%
Windhoek Airport	0.51%	1.17%	2.20%	2.75%	3.50%	1.06%
Windhoek Regional Office	13.22%	22.04%	6.80%	0.10%	0.85%	0.64%

Overall, Walvis Bay has been the most important entry point for imports from Angola over the last six years. Again,

Table 8 and Table 9 show a change in the preferred entry point. In 2002 a higher value of imports from Angola was declared in Oshakati than in Walvis Bay. Also Oshikango gained steadily in importance for imports from Angola. The figures for Oshakati and Oshikango together indicate that imports in terms of value reach Namibia by land then by see in 2002.

Table 10: Import CIF Value

	1997	1998	1999	2000	2001	2002
Eros Airport	26,948	1,263	0	3,800	7,014	76,740
Oshakati	179,578	295,898	721,168	3,003,024	4,202,783	21,944,027
Oshikango	4,881,939	6,632,612	828,426	3,273,623	1,095,510	16,314,182
Walvis Bay	10,395,266	22,573,107	8,874,985	7,771,259	4,824,614	18,705,197
Windhoek Airport	91,929	709,643	1,262,087	30,673	12,940	15,997
Windhoek Regional Office	110,083	52,551	0	28,500	1,726,746	167,051

Table 11: Imports in % of total imports from Angola

	1997	1998	1999	2000	2001	2002
Eros Airport	0.16%	0.00%	0.00%	0.03%	0.06%	0.13%
Oshakati	1.04%	0.96%	6.04%	20.90%	35.39%	37.93%
Oshikango	28.30%	21.46%	6.93%	22.78%	9.22%	28.20%
Walvis Bay	60.26%	73.04%	74.28%	54.08%	40.62%	32.33%
Windhoek Airport	0.53%	2.30%	10.56%	0.21%	0.11%	0.03%
Windhoek Regional Office	0.64%	0.17%	0.00%	0.20%	14.54%	0.29%

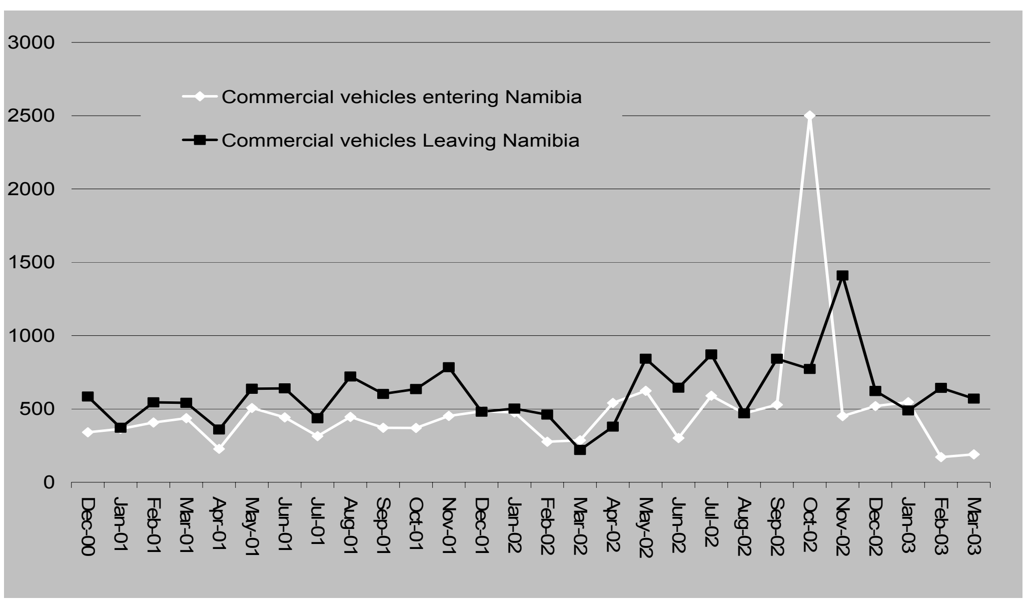
10.1.2. The current situation at the Oshikango border post

Since the beginning of the year 2003 exports to Angola via Oshikango border post have dwindled dramatically. A drop of exports in January - following a booming year-end – is considered as a normal seasonal pattern. This year – however - export activity did not recover. It seems as if exports further declined during February and March.

Unfortunately it has so far not been possible to quantify and to substantiate these findings by official figures, since the Namibian Customs in Oshikango – as well as in Oshakati – were either reluctant or unable to present figures for export values. According to sources of the private sector the decline of exports – across all commodities - is undoubtedly well in excess of 50 %, compared to the same time last year. The drop in exports through Oshikango is not levelled out by increases of other exit points, e.g. Walvis Bay.

Namibian Custom's figures in respect of vehicle movements indicate that the number of commercial vehicles entering Namibia during March 2003 has been 65% of that from March 2002. The same picture is true for February 2003 compared to January 2002.

Figure 4: Commercial vehicles entering and leaving Namibia via Oshikango

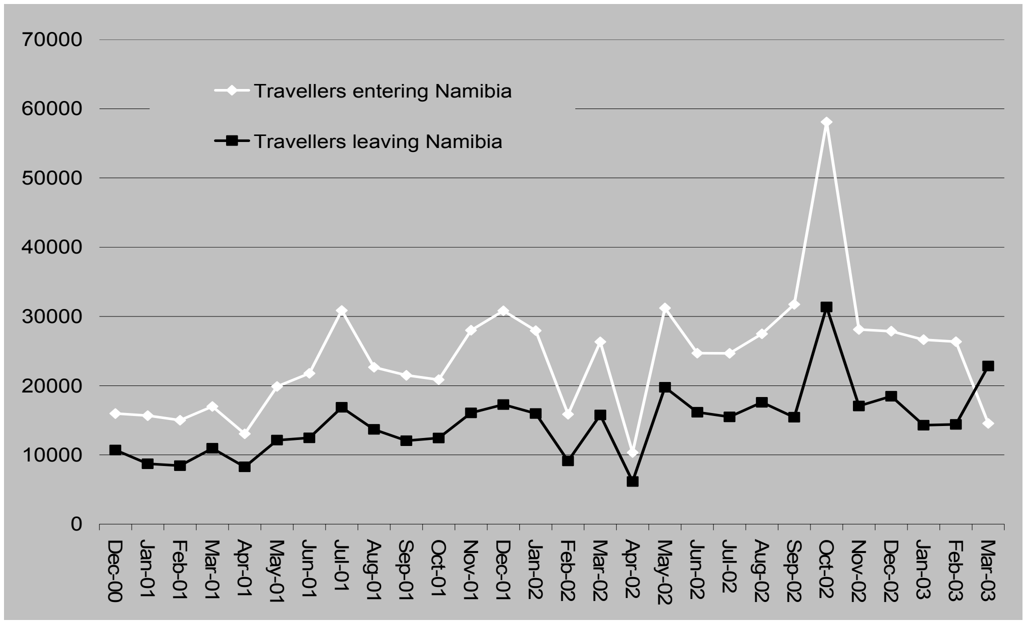


Source: Namibia Customs 2002

Where are all the vehicles that have entered Namibia – 2,500 in Oct 02? One would expect more or less the same number of vehicles leaving Namibia with a certain time delay.

It can be seen that the number of commercial vehicles entering Namibia in March 2003 is the lowest since December 2000.

Figure 5: Individual travellers entering and leaving Namibia via Oshikango



Source: Namibian Customs 2002

Again it is interesting that the patterns of the two lines are almost identically. It indicates that people a staying less than a month in Namibia. However, quite a number stayed forever and did not return. This seems to have changed in March 03.The numbers of commercial vehicle, private vehicle and individual travellers leaving and entering Namibia in October and November 2002 spiked considerably. This can be attributed to the end of the civil war and shopping for the Christmas break.

At least two reasons were listed for the decline in exports to Angola in 2003:

The depreciation of the US Dollar: A stronger Rand (Namibia Dollar) will undoubtedly reduce South Africa's and Namibia's export competitiveness. On the other hand have exports to Angola been sky rocketing towards year end 2002 – with a record peak in October – despite an already weakening US Dollar. The proximity to Christmas as well as the expected changes to the Angolan customs may well have played an important role.

The start of operations by the British company Crown Agents at the southern Angolan border point of Santa Clara (Ondjiva), started only in February 2003, and until then bribing of Angolan customs officials – was apparently the order of the day in Santa Clara and Ondjiva. Dr. Conceicao Matos, the coordinator of „UMA“, the unit to modernize the Angolan customs, confirmed this. Importing was cheap and relatively quick as long as the right people were bribed.

According to the National Director of Angola's Customs Authority, a new brigade of customs officials and 5 Crown Agents consultants were sent to Ondjiva in February. Since they started operating, things have changed abruptly. The British meticulously insist on correct import documents – such as import license and import permit - and payment of import duties. Import activities in Santa Clara almost came to a halt.

It remains to be seen to what extend Angolan importers will adapt to the new situation. A certain recovery of activities is widely expected. Doubts were however expressed in some quarters as to whether export levels for previous years would ever be reached again, since Oshikango lost some of its competitive advantage compared to other Angolan import points.

The port of Namibe, situated on Angola's south-western coastline, could well develop to a stage of fiercest competitor to Oshikango. This might shift the importance of trading ports towards Walvis Bay. A third explanation for the drop in exports could be that South African companies export directly through the port of Cape Town and Durban to Angola's ports and do no longer use the road to enter Angola.

Table 12: Top 20 exports via Oshikango to Angola in N$ FOB value for period 1997-2002

Description	Exports FOB value
"New pneumatic tyres, of rubber, for motor cars"	19,529,853
Portland cement (excl. white)	19,630,154
"Structures and parts of structures, nes, of iron or steel"	21,156,149
"Sugar confectionery, not containing cocoa, nes"	21,342,462
"Colour TV receivers, whether/not with radio/sound/video recoring/repro"	22,872,519
Sweet biscuits; waffles and wafers	23,412,115
"Freezers of the chest type, =< 800 litre capacity"	24,891,859
"Soap and organic surface-active products in bars, etc, for toilet use"	29,421,954
"New pneumatic tyres, of rubber, used on buses or lorries"	29,546,141
"Wooden furniture, nes"	30,309,481
Waffles and wafers	33,153,862
"Waters, (incl mineral & aerated), contg added sugar,etc"	40,987,035
"Vehicles with spark-ignition engines, cylinder 1500 - 3000 cc"	44,414,542
Cigarettes containing tobacco	45,649,136
Sunflower-seed & safflower oil (excl. crude) & fractions	61,980,251
"Video recording or reproducing apparatus, magnetic tape-type"	83,519,236
"Raw cane sugar, in solid form"	107,665,534
Whiskey	111,567,441
"Other non-alcoholic beverages, nes"	262,582,697
Beer made from malt	523,874,877

Source: CBS 2002

Looking at the top export products that are shipped via Oshikango in Table 12 shows that alcoholic and non-alcoholic beverages are the main value drivers. The export for these products can be expected to decline over the next years with the increase of production capacities in Angola and improving infrastructure. An advantage remains in the proximity of Namibia consumption goods to Southern Angola.

These trends are quite interesting and could – partly - have been expected (One of my findings in my study 1997). To analyse the impact on Namibian businesses in particular manufacturing businesses it would be necessary to establish the share of re-exports to Angola. As mentioned, it could be that the export of goods of South African origin through Namibia to Angola has dropped significantly while the export of goods of Namibian origin has not changed.

11. Market Entry Strategies

Chambers and Associations: Various chambers of commerce and associations could play an important role to assess the trustworthiness of an Angolan company or even help to identify a suitable partner. The new law for private investment - to be gazetted soon – is expected to be available in all provinces. Namibians would have to take appropriate step to obtain a copy of the new investment law to acquaint them as soon as possible.

Promotional material: Handy booklets containing information and advertising, published in Portuguese and English, could be put on display in Luanda and other important towns, at places such as banks, hotels, important government institutions and waiting rooms.

Physical presentation: Goods should be presented physically rather then just presenting exhibits. Trade fairs are useful opportunities. The FILDA in Luanda is an annual event and usually takes place in July.

A more important trade fair - for Namibians - would be in Lubango. This is an annual event, which normally takes place by the end of August. This trade fair is much smaller than FILDA. Accordingly, Namibian products could gain a lot more profile. Bookings can be done through the Lubango business association. **APPCIL (**Associação Agropecuária Commercial e Industrial da Huila). Members of AAPCIL are – by the way – keen to get in contact with Namibian businesses. Contacts could be very fruitful, for Angolans, as well as for Namibians.

Personal contacts: Personal contacts are essential for business within or with Angola. Nobody will succeed in just reading about Angola and making a few phone calls. Personal presence in Angola is absolutely essential. USAID could help to establish contacts, by – for example – advertising amongst Namibian businesses for the participation on the Lubango trade fair in August, and assist with the provision of crucial information therefore. To strengthen Namibian competence USAID should act through NCCI and not independently.

Establishment of partnerships / joint ventures with Angolan businesses: A Namibian company will hardly be able to conduct any business with and/or within Angola, without some sort of cooperation with an Angolan company or individual. The Angolan partner will not only bring in contacts and insider knowledge, but will be in possession of essential assets, like land, concessions, licenses etc.

Learning Portuguese: Namibian businessmen should be encouraged to learn basic Portuguese. A trustful relation is established a lot easier when communication is carried out directly and not through an interpreter. Though southern Angola shares to a large extend the same language with northern Namibia – Oshiwambo.

Right Attitude: Many Namibians seem to have a wrong attitude towards business in Angola. The times when fabulous profit margins could be expected are definitely something of the past. Sound management practices and long-term thinking are required today.

Focus on southern and central Angola: Namibians should concentrate on central and southern Angola, where Namibians are far more competitive than in Luanda. The economic environment in the south suits most Namibians much better, and the market in these regions is by no means small.

12. Namibia's Positioning for Doing Business in Angola

12.1. Namibia's Competitors

Namibia – as a nation, exporting to Angola, faces stiff competition from well-established competitors. The USA – statistically the leading amongst countries exporting to Angola, is not a true competitor to Namibia, since their exports to Angola are dominated by the export of oil technology and other capital goods. Brazil is mainly engaged in diamond mining and the construction of huge hydroelectric power plants. But Portugal and South Africa can well be considered as relevant competitors for Namibia.

Especially Portugal dominates the market for consumer goods and on the civil construction sector in Luanda. This is a result of historical and cultural bonds. But also South Africa is a serious competitor to Namibia since it has at its disposal a well-developed manufacturing sector. South Africa is rather aggressively trying to increase its share on the Angolan market. In terms of air and sea transport costs South Africa is already more competitive than Namibia.

12.2. Namibia's Weaknesses and Threats with Respect to Exports

Since the introduction of law and order into the customs administration at Santa Clara and Oshikango, Namibia lost some of its advantages compared to other import points in Angola – and thus – also compared to other nations of origin for export goods for Angola. Namibia's exports of goods to Angola are challenged by the following weaknesses:

Underdeveloped manufacturing sector of Namibia: Most of Namibian enterprises lack diversification of products and are too small to compete against South African competitors. They lack the ability to take advantages out of economy of scale effects, and are less well positioned to take large financial risks. The new customs regulations - for example - that prohibits the import of goods labelled in any language but Portuguese may weaken Namibia's position as an exporting nation, at least temporarily.

Transport cost by sea and air not lower in comparison to RSA: Despite Namibia's geographical proximity to Angola, no advantages arises thereof, compared to South Africa. Shipping costs amount to about the same, irrespective of whether goods are shipped to Angola from Durban, Cape Town, or from Walvis Bay. Airfreight from Windhoek is even higher from Windhoek, than from Johannesburg. (Namport [port fees] and Air Namibia could reduce prices.

Inability to communicate in Portuguese: Most Namibians do not speak Portuguese. In Angola this is a distinct handicap. Knowledge of a language not only helps to communicate and establish business contacts. It also is of advantage for packing purposes, as well as for advertising.

Little knowledge in respect of buying habits of Angolan consumers: Due to historical and cultural bonds Portuguese exporters have a better idea about Angolan buying habits, especially as far as food items are concerned.

Limited ability to lobby in favour of its own interests: The small business community in Namibia is far less in a position to advance its interests within the Angolan economic elite, than –for example – Portugal. It would not be of any surprise, if the new regulation in respect of Portuguese labelling is well in the interest of Portuguese businesses.

Limited economic integration between Angola and Namibia: Angola has in the past oriented itself more to Europe (especially Portugal), than to its African neighbours. Namibia – on the other hand – is economically predominantly linked to South Africa.

Limited export experience of Namibian entrepreneurs: Namibian businesses have in the past been focusing on the internal market. (This is too general. Most of the medium and large enterprises can only survive if they export their products. They therefore lack export business management experience. This is in particular true for small and medium sized enterprises. I would think that it is rather the focus on specific overseas markets such as the EU etc.

Limited pool of well-qualified and experienced staff in Namibia: Namibia itself has a deficit in the area of trained personnel. It will therefore be difficult for many Namibian companies to cope with additional challenges arising out of Angolan business opportunities.

Angola's expected economic revival: Angola's industry is expected to start to recover soon. It is therefore expected, that Angola will less and less depend on imports. Recent developments in Angola's beverage industry may be a first indication. At least two new abattoirs in southern Angola (Cahama and Lubango) will significantly improve Angola's self-sufficiency in respect of beef.

Angola's large informal sector: Angola's informal sector weakens any formal economical activity, and thus also Namibia's export to Angola.

Lack of transparent legal framework: A lack of transparent and legal framework could complicate the establishment of sound business ties with Angolan partners. Portuguese and Brazilian businessmen may well be more experienced to deal with such a business environment.

Limited space for air cargo: Only a total of three official flights per week (Boeing 737) depart from Windhoek to Luanda. Passenger luggage occupies most of cargo space. Angola seems to be reluctant to grant Air Namibia more slots. South Africa Airways is using a Boeing 747 to approach Luanda several times a week.

Angola's Roads: The improvement of roads – especially in southern Angola – could increase Namibia's competitiveness.

12.3. Namibia's strengths and its opportunities

Namibia is not only weak and threatened. As will be shown below it is well positioned in quite a few respects.

Position of Oshikango as a port of access to the Angolan Market

Santa Clara is Angola's only border point where substantial values are imported by road. Compared to other points of imports - such as Angola's three most important ports, Oshikango border post presents some distinct advantages: Transport by sea is relatively slow and time-consuming on short distances. Transports by road from Walvis Bay (and even form Cape Town) to destinations in southern Angola can be carried out quicker, on shorter notice, and with more flexibility than by sea.

Businesses in southern Angola will be enabled to react quickly to market fluctuations, to get away with less storage capacity, and hence with less locked up capital. In the light of the frustrating and time-consuming procedures to clear goods in Luanda, this advantage could even stretch as far north as Luanda and beyond, especially if road conditions would improve.

The repair and construction of railway lines in Angola, in connection with the envisaged link of Namibian and Angolan railway lines could further increase competitiveness of Oshikango and thereby Namibia's competitiveness amongst international exporters.

During our interviews for the Industrial Policy businesspeople in the north mentioned the lack of border posts beside Oshikango as an impediment for doing business in Angola. In particular to support the SME sector in the North one or two additional border posts between Oshikango and Ruacana would increase the competitiveness of SME in Southern Angola considerably.

Namibia's well-maintained infrastructure and its functioning administration

This advantage will put Namibians into a position to act efficient, quick and cost-effectively.

Cultural and social affinity between northern Namibians and southern Angolans

Strong historical, social and cultural links between people of the same ethnic groups on either side of the border is an immense advantage for Namibians who intend to do business in or with southern Angola. This qualifies the statements 3-5 in the previous section.

Good political relations and atmosphere of friendship between Namibia and Angola

The governments of the two countries have maintained cordial political relations, which could – and are being - applied to develop and to strengthen commercial relations between the two countries.

12.4. Access to sea transport

Both countries have access to sea transport. This puts Namibia in a distinctly advantageous position compared to its land locked neighbours. But the landlocked neighbours are no serious competitors for Namibia – Botswana, Zimbabwe. I think the combination of the three modes of transport is an advantage – as you partly mentioned above: sea transport combined with air and road transport. Directly cargo flights from Walvis Bay to Angola could be considered in the future if need arises.

13. Prospects for Namibia

The export of goods to Angola is expected to remain an integral part of the Namibian economy. Apart from exporting Namibian beverages and goods - mainly originating from South Africa – there could be a considerable potential for typical Namibian goods. Namibian biltong – as for example – is famous even in Luanda. A new tannery was recently commissioned in Ondangwa. Leather products, such as shoes ("veld skoene") and other leather goods could be produced in northern Namibia and be exported to Angola.

Due to increased international competition, as well as to Angola's expected economical revival, the general export potential is however limited. Namibia's businesses are therefore called on to look for alternative business opportunities with and within Angola.

In the medium sized manufacturing sector of Angola - but also in the supply of services - there is an almost unlimited potential, which offers the opportunity for a profitable and long-term involvement. This would however require a serious commitment with most certainly some risks involved.

The Angolan economy will recover. Imports of goods into Angola will eventually dwindle. If Namibian businesses do not step in, companies from other nations will get involved. Businessmen from all over the world are currently flooding Luanda. It is just a matter of time before they will discover the potential of Angola's provinces.

In the following some fields will be listed, where foreign involvement is demanded. The list is not exhaustive, but is indicative for the potential areas of investment, and/or the export of services

13.1. Advertising and promotion

Advertising and promotion have so far not been of any importance in Angola in general, and in southern Angola in particular. The reasons are lack of competition, and probably a lack of sophistication on the part of the Angolan consumer. By supplying a better service and by increased promotion effort, businesses with Namibian involvement could gain significant market shares. Hotel business in some of the bigger towns could be mentioned as an example.

13.2. Reconstruction of infrastructures

Reconstruction of major Angolan infrastructures: For the reconstruction of roads, telecommunication networks, power stations, long distance power lines etc. tenders are – or will be – called for by the central government in Luanda. These are usually multi-million dollar projects, too big for most of Namibian companies. The process of tendering seems furthermore less transparent, and a lot of "under the table payments" and good connections might be required to get awarded.

However: considerable amounts of money have been and are being allocated to the provincial governments in order to enable them to construct and reconstruct provincial infrastructures, such as primary schools, water- and electricity distribution networks, airports etc.

Namibians should build up contacts to the Angolan provinces in order to get informed in good time about tenders to be called for.

13.3. Training centres

In particular in the provinces a huge lack of training opportunities was confirmed. Training demands were expressed for general business management, hotel business, and all sorts of handicrafts, like training of carpenters, mechanics, plumbers, electricians etc., but also for languages, English in particular. Namibians could get involved in erecting and running of training infrastructures.

13.4. Tourism

Tourism has been mentioned again and again by Angolans as a field where foreign participation would be welcomed. Namibian experience in erecting infrastructures, but also in park – and wildlife management could be welcomed. The import of expertise is vital, since there is hardly any experience existing. Also the Portuguese were not particular good in wildlife management. The demand for special services like **thatching** is expected to grow fast in Angola. The most astonishing landscapes in many parts of Angola will sooner or later attract tourists. Infrastructures like, hotels, lodges, restaurants etc. are hardly anywhere existent.

13.5. Agriculture and agro-processing industry

Angola's agriculture and agro – processing industry used to be well developed. A wide field is now open for foreign involvement.

Genetically improved livestock: Demand for genetically improved (cattle and small stock) for Angolan farmers are expected to increase as soon as the Angolan and Namibian agricultural authorities finalise detailed cooperation agreements on the agricultural sector.

Erecting / rehabilitation and running of abattoirs

Nobody in Angola seems to know how to properly butcher an animal if quality is demanded. Namibian expertise could enable southern Angola to become an important supplier of quality meat (properly packed and frozen) and meat products (cold meats, sausages) for Luanda, and the rest of Angola.

Dairy farming: Central Angola used to be famous for its dairy production. The introduction of dairy cows and construction of complementary infrastructure (including dairy industry) could be done with Namibia assistance.

Mills / fodder industry: Complementary to any serious farming activity will be the production and supply of animal fodder. Namibia's experience and technical know how could be most welcomed.

Chicken farming, e.g. production: Angolans love their "chorashco" But not only chickens, even eggs are currently been imported. Namibians could help to make this unnecessary.

Seeds / agricultural equipment: No quality seeds are available in many parts of Angola. In cooperation with Angolan firms Namibians could act as agents for internationally operating seed suppliers and additionally be suppliers of fertilizers, chemicals, sprayers etc. Namibia imports this stuff itself. So the original producer would rather send his own staff.

Juices: Angola has a huge potential for fruit production. Peasant farmers know how to grow – for example – pineapple, passion fruit and other tropical fruit, and would be happy to do so if just transport and demand were there. Currently, juices - packed in tetra packs - are imported from Brazil and South Africa. Why not supply Luanda and other towns with juice made in Angola by Namibians. (Namibians do not have experience since hardly any juice is produced in Namibia except Oshakati Dairy and Namib Dairy.

13.6. Civil construction

Civil construction will sooner or later start to boom in all parts of Angola. Not only will entire big towns (like Huambo, Quito etc) have to be re-erected. Low cost housing will be a big business since hundreds of thousands of people are demanding housing in towns and villages. Namibians are well equipped to play an important role in this sector. We don't have large construction companies. Roads and even buildings in Namibia are constructed by RSA companies (Group 5, Stocks and Stock etc).

In the civil construction sector (and also other technical sectors) there will be considerable demand and ample opportunities for consulting engineers and related services.

13.7. Mining

Marble and Granite mining: The provinces of Huila and Namibe have considerable deposits of marble and black granite. Especially Angola's black granite is famous for its quality. Angolan companies are in possession of concessions. Lack of finances and know how has so far prevented any significant exploration and processing.

13.8. Construction material

Cement: Southern Angola provides all the raw materials for the production of cement. Currently there are cement factories only in Luanda and Lobito. Cement is very expensive in places like Lubango and Namibe. Namibia does not have experience in producing cement. We import all cement from RSA.

Bricks: Currently Angolans build with cement blocks. Proper bricks would however be preferred by most. Many brickyards used to exist in Angola. Namibians could help to rehabilitate and to run brickyards in Angola.

Corrugated Iron: Once construction work takes off, thousands of new buildings will need a roof. A machine that manufactures corrugated iron and metal frames for doors and windows is affordable. Why could these items not be produced in Angola by Namibians, or at least with Namibian participation?

13.9. Special technical services

There are hundreds of thousands of diesel vehicles driving around in Angola. But there is hardly anybody who is able to repair and to adjust an injector pump. This would be a service with a huge potential, even for Luanda.

As business regulations and their application improve in Angola, some Namibian businesses may have to consider the possibility to set up manufacturing businesses in the construction sector.

14. Key capacity and policy constraints for non-SACU SADC intra-regional trade

To a large extend policy convergence would help steer the direction and volume of intra SADC trade. But this is certainly not the case at the moment, as countries in the region pursue policies, which diverge widely. Many countries in SADC pursue polices which have led to negative real interest rates, overvalued exchange rate, massive government deficits, run away inflation, chronic balance of payments deficits, and chronic foreign exchange shortages.

Some countries have been implementing WB/IMF structural adjustment programs as well. And this too has had variable impacts on the economies of the region. In some instance import tariff have been reduced and exchange controls liberalized and/or eliminated.

In terms of capacity constraints, lack of foreign exchange has hampered the ability of many of the SADC countries to import required inputs for the export sector. And this has in turn prevented the export drive to take off in many of these countries.

In some countries, privatization of state owned enterprises has been undertaken but had not been fully implemented, thus accelerating government budget deficit as many of the state owned enterprises have become dependent on state financial support for their existence.

Competition is another area where SADC member countries are at variance, as some of the economies remain heavily protected against foreign competition, even though some safeguard measures are in line with WTO commitments. Attempts are currently underway to coordinate competition policies in the SADC region.

Because of funding problems, particularly from the central authorities, key role players, especially business associations are poorly funded, and thus, their ability to lobby and campaign for the interest of their members is often compromised. Training and capacity building in trade related issues is of vital importance. Study done recently by NEPRU found and recommended the following to promote trade in the SADC regions. According to recent study by NEPRU on agricultural trade in SADC, most of the issues identified in the preceding discussion have also been identified as hampering intra-SADC trade. They include the following::

- Language and cultural barriers
- Lack of harmonisation of transport charges
- Conflicting transit procedures (especially bond requirements)
- Pseudo-export and round-tripping of goods requiring higher levels of control, which in turn amounts to more bureaucracy and red type
- Different levels of SPS measures in different countries

- Limited studies on export markets in different countries
- Higher tariffs, back-loading and sensitive products in trade agreements, e.g. SADC tariff reduction schedule
- Payment problems as a result of foreign exchange shortages
- Exchange control regulations
- Lack of free movement of labour and capital in SADC region
- Restrictive investment rules
- SPS issues and disease status in different countries in the region
- Road and telecommunications infrastructure in some countries are in bad state of repair
- Lack of harmonisation of economic policies in the region
- Production of similar and primary products by most SADC member countries, i.e. non-existence of well diversified industrial structure in most SADC countries[19]

One factor that may affect and hinder trade in the region is that of HIV/AIDS as it takes toll on vital manpower and staff in customs and international trade departments of various countries in the region.

[19] NEPRU, Agricultural Trade in SADC: Challenges and Implications, Page…

15. Conclusions

Namibia's trade is determined by its natural resource endowment in mining, agriculture and fisheries. Most of its mineral exports are destined to the UK, where the major portion of fisheries and agricultural products are destined to Span and South Africa respectively.

Namibia is heavily dependent on imports from SACU/South Africa, with over 86% of all Namibian imports being sourced from RSA or imported through it. There are hardly any significant imports from other neighbouring countries, except Zimbabwe (5.4% of total imports), with which Namibia has a preferential trade agreement.

On the export side, Namibia's exports are mainly destined to the EU (56% of total exports), followed by exports to RSA (26% of total exports). In conclusion, Namibia's external trade is highly and dangerously concentrated with a few countries. As far as the exports products are concern, these are also limited in number and sophistication, comprising mainly of mineral (diamond, uranium, zinc, copper etc), agricultural products (meat, livestock, table grapes, leather products) and fisheries.

Namibia's current trade patterns are determined in some measure by existing trade and trade related agreements, such as Cotonou Agreement, SACU, SADC and COMESA. Because of the existing industrial structure with small manufacturing capacity, Namibia has not been able to make a significant inroad into many of the markets despite having duty-free and/or preferential access to some of the markets.

For the last decade, Namibia has been hard at work to become an attractive investment destination, through the introduction of various measures, such as manufacturing incentives, Investment Act 1990, EPZ Act 1995, etc. Despite these measures, investments have not been coming to Namibia in quality and quantity as would be expected. This of course has now largely changed with the massive investment of over N$ 1.0 billion by the Malaysian Textile giant, Ramatex. Its textile exports quality under AGOA duty-free regime. Given the scale of the production and exports by Ramatex, composition of Namibia's total exports as well as the composition of total manufacturing production and exports would also change significantly.

On trade with Angola, export sector is doing fairly well, and is expected to increase as peace becomes consolidated. However, negative changes could be expected as that country's industries revive, especially if Namibia is unable to introduce appropriate changes in manufacturing production structure, which would enable it to take advantage of opportunities offered by reviving Angolan economy.

For Namibia to take advantage of opportunities to be created by reviving Angolan economy, both GRN and its development partners and private sector would have to focus on product and market development efforts, through deliberate financial and technical assistance to SME sector, to integrate into the Namibian foreign trade structure.

On the Angola side, that country is potentially a very rich. It is well endowed with diverse resources, covering a wide range of agricultural products, fisheries, forestry, water supply, and mineral resources. An impressive level of pre-war economic activity existed, especially in the manufacturing sector. As an additional bonus, the resources are fairly spread across the country. The economy is largely dominated by the mineral sector, consisting mainly of oil and diamonds. Vital economic infrastructure such as roads, telecommunications, railways, airports are often in a state of dilapidation, mainly as a result of war, but also as result of poor and bad management and maintenance. Looking at pre-war levels of production and manufacturing activity, it is clear that Angola possesses a great deal of potential to enable it to revive the economy in a reasonably shorter period.

Given the products, which Angolan economy can produce when it has significantly been revived, Namibia's export to that country would most definitely decrease. Therefore, Namibia's export-drive with current composition of goods would not be sustainable in the long run. (Yes, but this would probably affect Namibia's trade sector more than Namibia's manufacturing sector since a large share of the goods exported to Angola are from RSA.) This means that a transition from export of goods to export of services to Angola has to be made. (Also niche markets for Namibian high or at least good quality products should be identified. There is certainly more potential in particular with increasing incomes in Angola.). Trade in services has to be combined with investments by Namibians in Angola.

Apart from the bad state of repair of its economic infrastructure, the Government of Angola has numerous challenges, such as facilitating the development of private sector and entrepreneurial development, increasing and widening skills development, equitable redistribution of national wealth, re-building of social infrastructure (schools, vocational training institutions, technikons, university, hospitals and clinics etc).

Given the nature of market structure in Luanda, where oligopolies have developed, Namibian businesses are advised to focus on central and southern provinces of Angola, where they are likely to have cost advantages, given the proximity of southern Angolan towns to Namibia.

16. Recommendations

Given the conclusions, the following recommendations are made:

Bilateral Trade and Investment Agreement

Although SACU provisions may make this difficult, bilateral trade and investment treaty between Angola and Namibia needs to be considered. This would not only express the commitment of the two governments, but would also set up administrative and legal mechanisms, which would facilitate trade and address matters hindering trade between the two countries.

Focusing on the southern provinces of Angola

As far as trade is concerned, Namibian businesses should focus their resources on developing export market opportunities in the central and southern provinces of Angola, where road transport costs advantages are likely to be derived. In fact future donor support in the area of trade and SMEs should be focussed on trade development between the two countries.

Exchange of Commercial Counsellors between the two countries

The two governments should exchange commercial counsellors. In the case of Namibia, such an official must focus on central and southern regions. Apart from economic skills required, a candidate for that position would preferably be conversant in Portuguese language, with ability to understand businesses environment.

Other measures could include

Namibians participation in trade fairs: Namibian government and internationally active organizations should assist and facilitate Namibians participation in trade fairs and exhibitions in southern Angola, especially in Lubango in August.

Introducing Portuguese in selected schools: Namibians must be encouraged to learn Portuguese language. School exchanges could be considered as a faster way to facilitate cultural fusion.

Production of Portuguese promotion material: It is recommended that Namibian businesses produce booklets in Portuguese language in order to promote and to advertise for their businesses.

One-stop shop (web-page) containing all relevant information for exporting and importing to and from Angola. This web-page could contain all required forms in PDF format and provide simple guidance for

Partnership and joint ventures between Namibian and Angolan entrepreneurs

Establishment of joint ventures with Angolan enterprises: Namibian businesses are advised to enter into joint venture relations with Angolan companies. Joint ventures are more likely to overcome specific Angolan irregularities and institutional problems. Angolan partners are often already in possession of land, licenses and other essential assets. (Information about Angolan businesses needs to be available. The NCCI should cooperate with the Angolan Chamber and establish close links and create a database.

Widen and deepen technical and business skills for Namibians to provide services to what is likely to become a vibrant economy.

Namibian business must go to Angola: Namibian businesses should be encouraged to more aggressively approach the Angolan business opportunities. This can only be done by going to Angola, in order to make contacts and to get the country known.

Product Development in Namibia
Namibian authorities would have to increase and focus support (technical and financial) to SME sector, for it to become incubator centres for technological innovation. Various support programs currently in existence must be evaluated and refocused to carefully target SMEs with products, which are likely to succeed in the international competitive environment, including in the Angolan and US markets.

Development services sector in Namibia

There will be growing need in Angola's reconstruction process of wide variety of services. Given the fact that southern parts of Angola is quite a distance from Luanda to provide required services in good time, Namibia should be able to develop its services sector, especially in Oshakati and provide such services at short notice to Angolan in the southern provinces.

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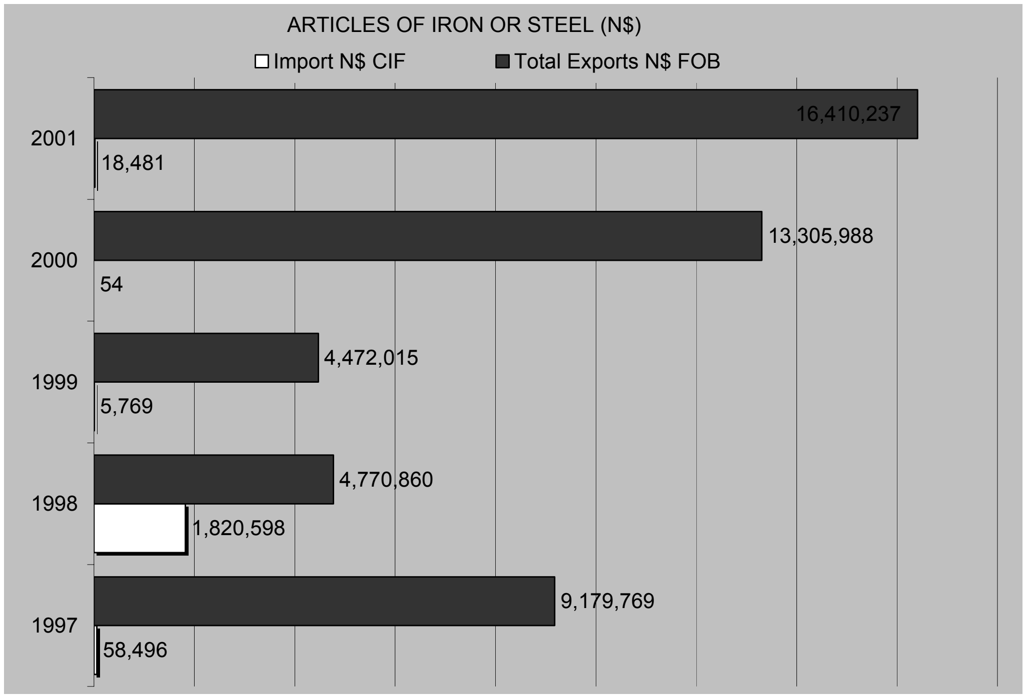
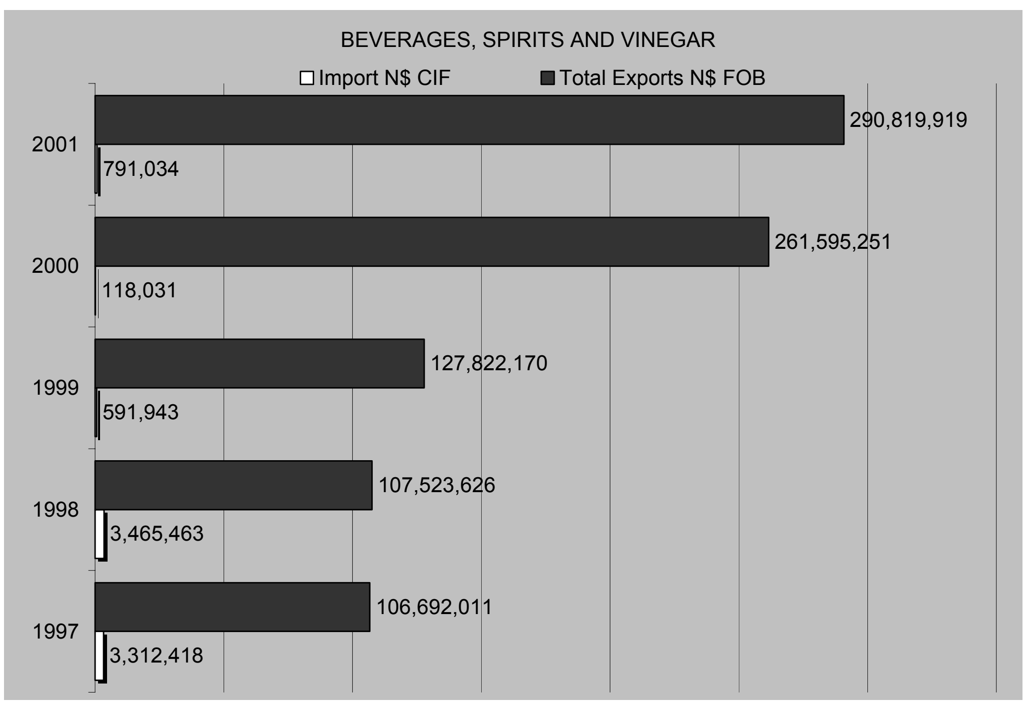
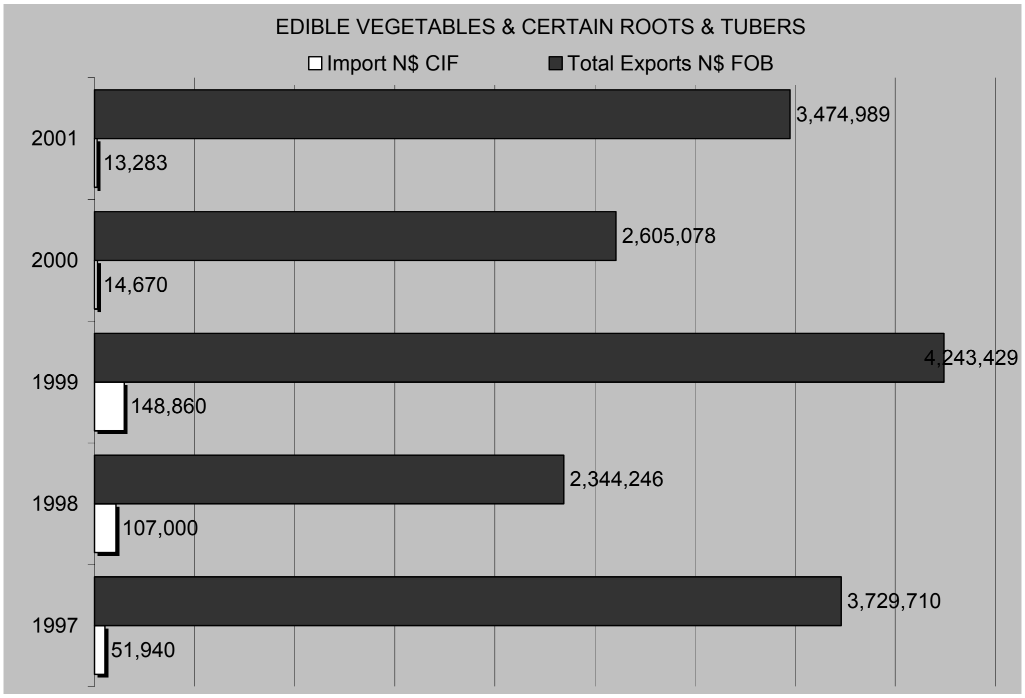
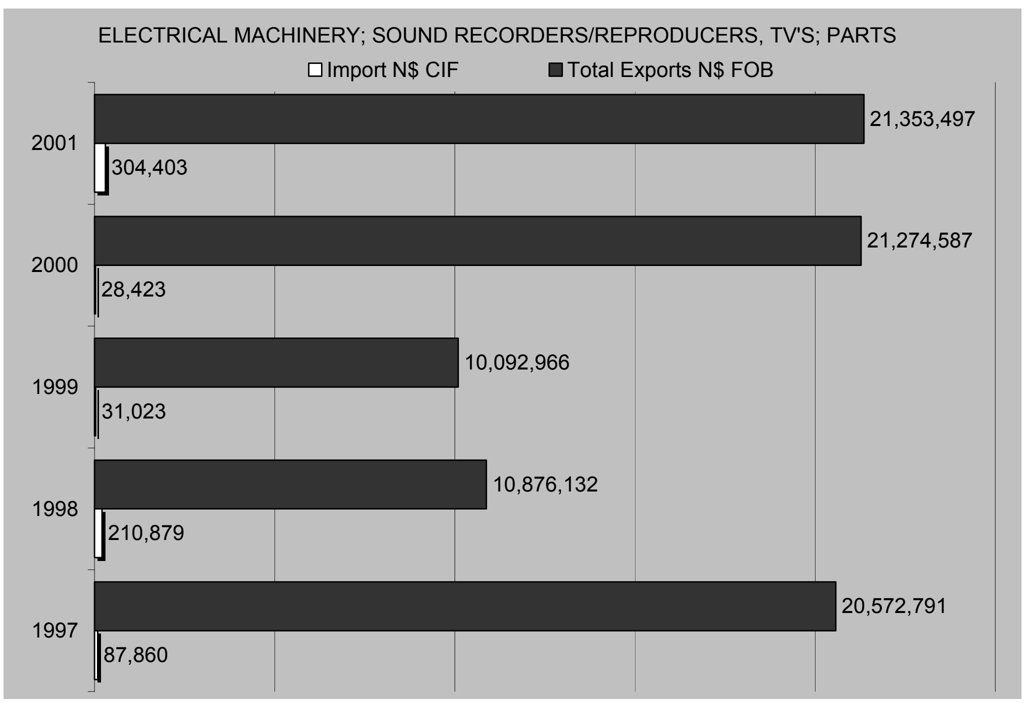
18. Appendices

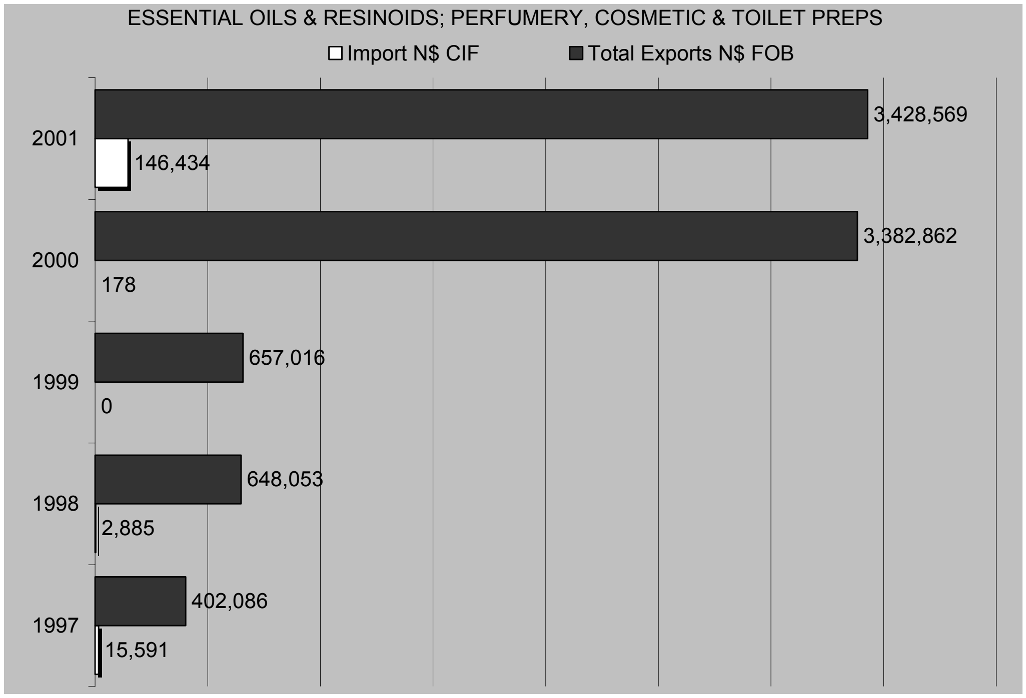
18.1. Namibia's trade with Angola, 1997 - 2001

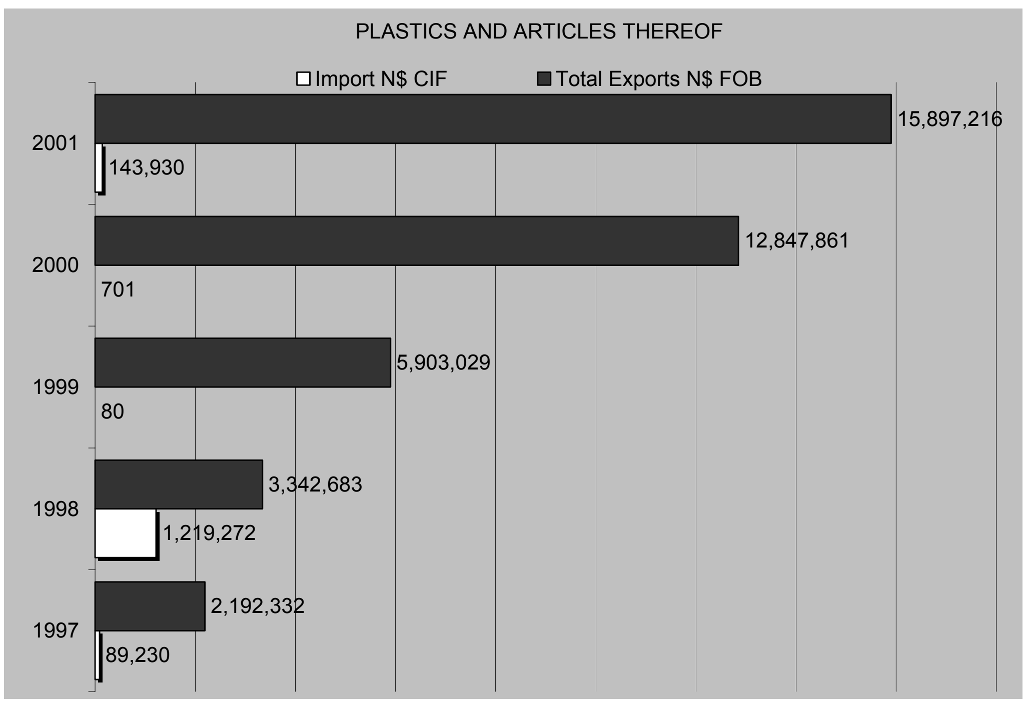


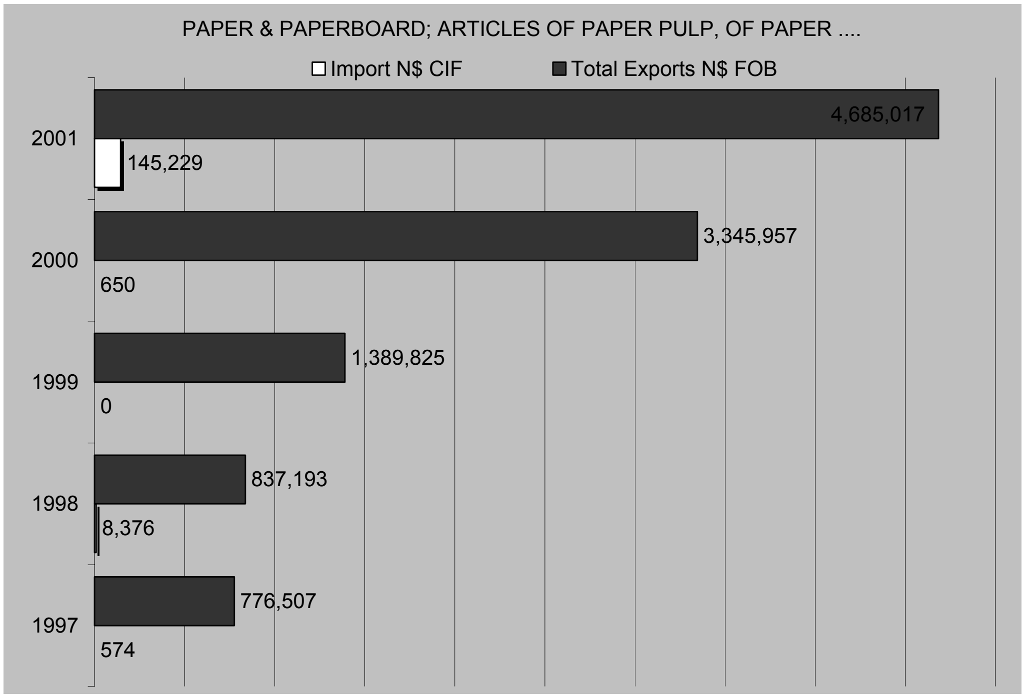


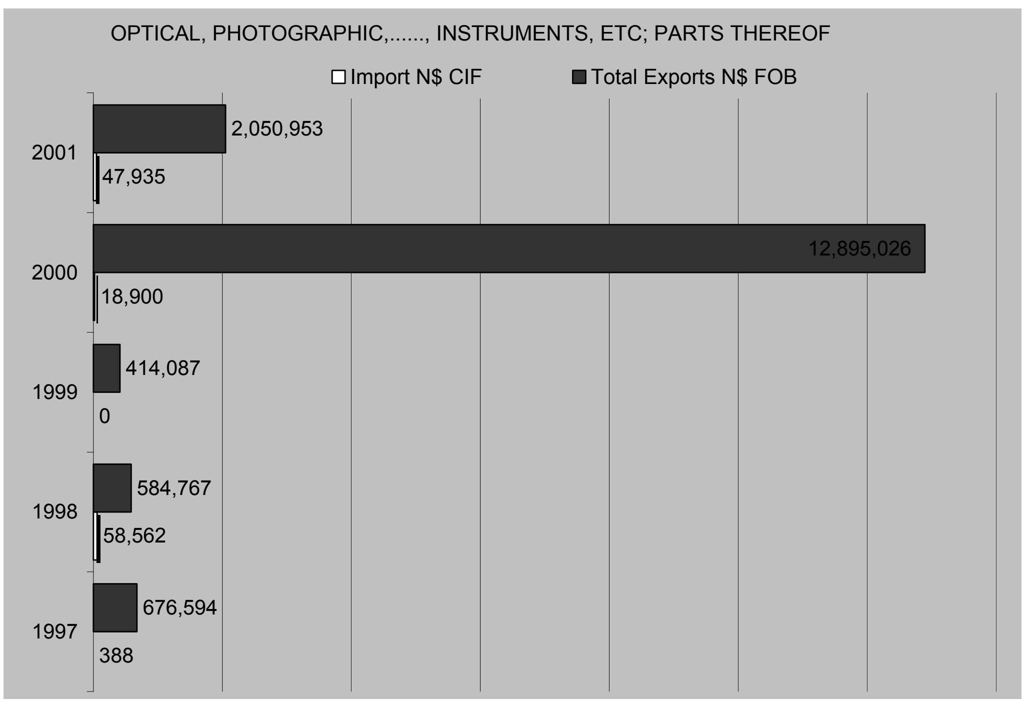

EDIBLE VEGETABLES & CERTAIN ROOTS & TUBERS
Import N$ CIF
Total Exports N$ FOB
2001
3,474,989
13,283
2000
2,605,078
14,670
1999
4,243,429
148,860
1998
2,344,246
107,000
1997
3,729,710
51,940

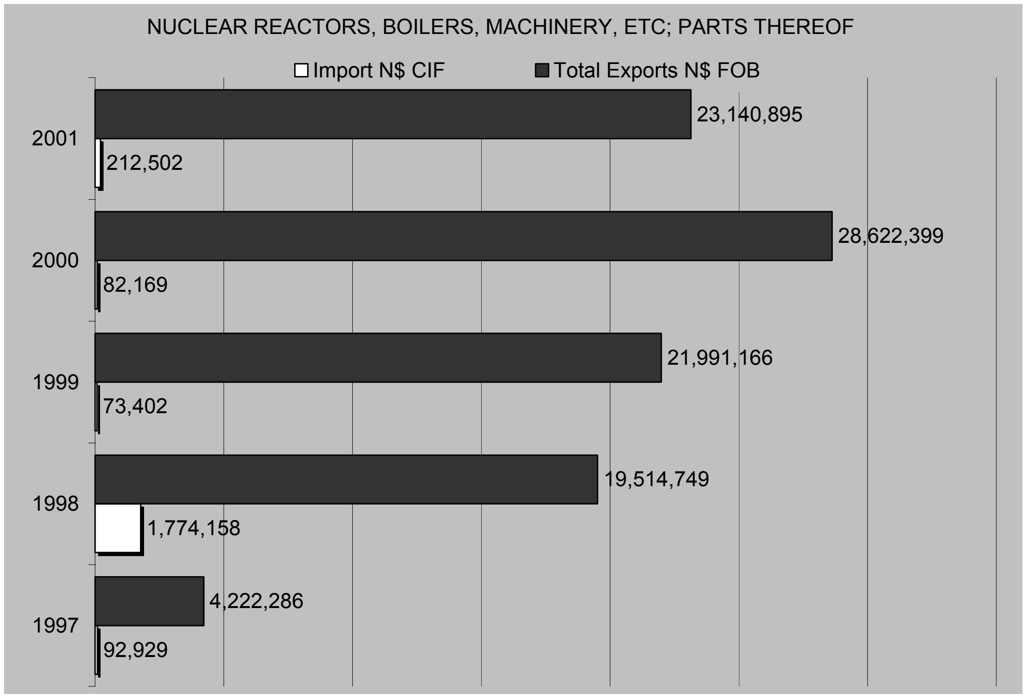

ELECTRICAL MACHINERY; SOUND RECORDERS/REPRODUCERS, TV'S; PARTS
Import N$ CIF
Total Exports N$ FOB
2001
21,353,497
304,403
2000
21,274,587
28,423
1999
10,092,966
31,023
1998
10,876,132
210,879
1997
20,572,791
87,860

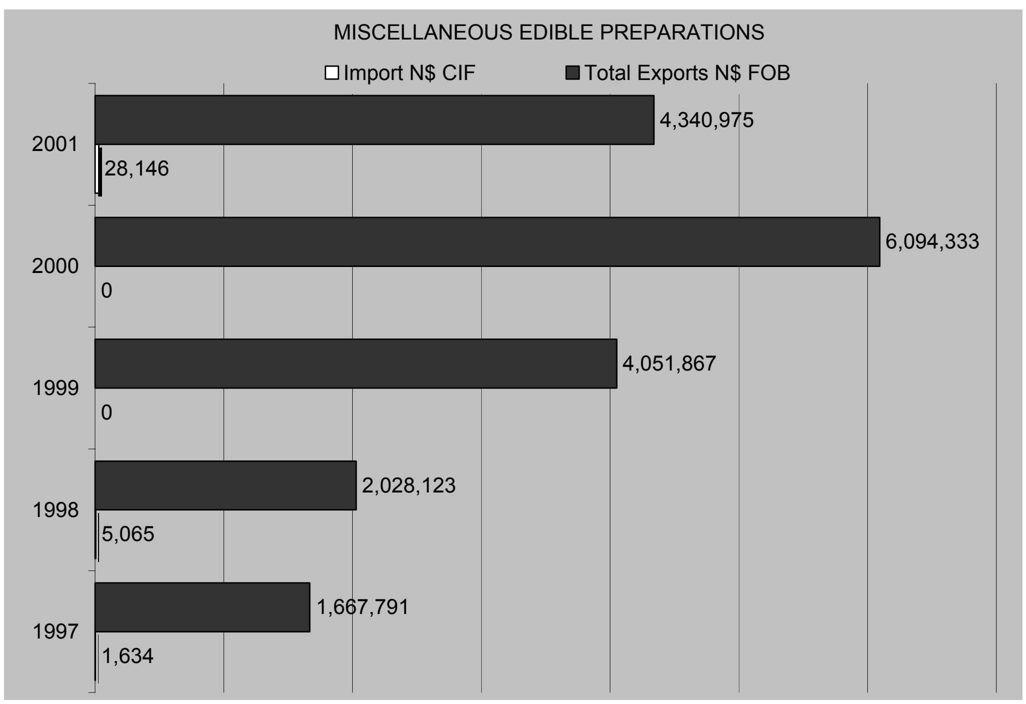

ESSENTIAL OILS & RESINOIDS; PERFUMERY, COSMETIC & TOILET PREPS
Import N$ CIF
Total Exports N$ FOB
2001
3,428,569
146,434
2000
3,382,862
178
1999
657,016
0
1998
648,053
2,885
1997
402,086
15,591

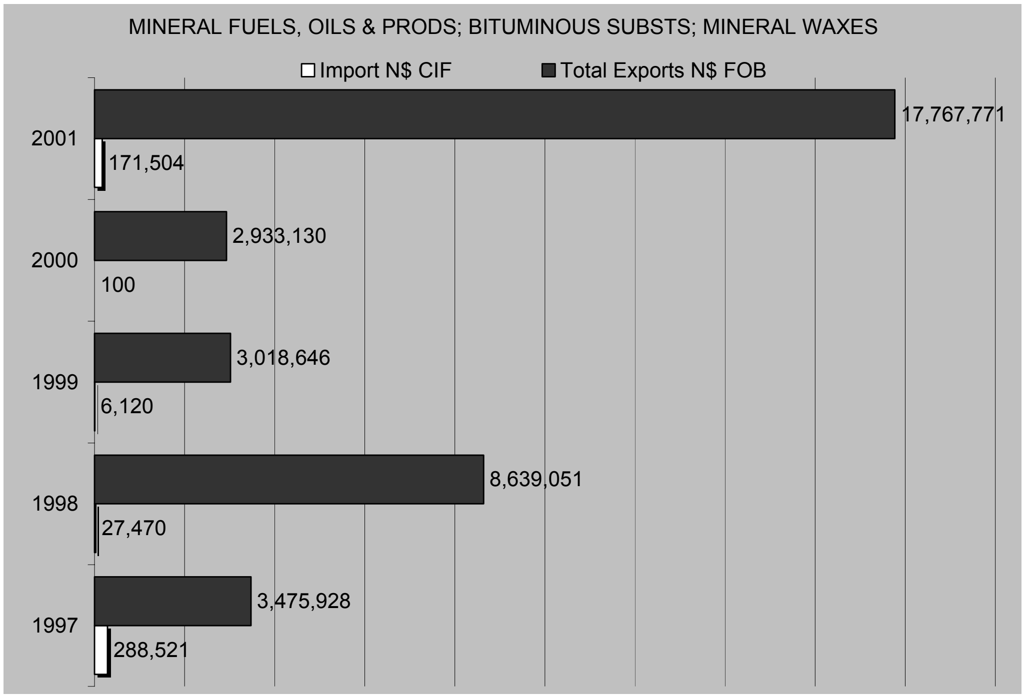

PLASTICS AND ARTICLES THEREOF
Import N$ CIF
Total Exports N$ FOB
2001
15,897,216
143,930
2000
12,847,861
701
1999
5,903,029
80
1998
3,342,683
1,219,272
1997
2,192,332
89,230

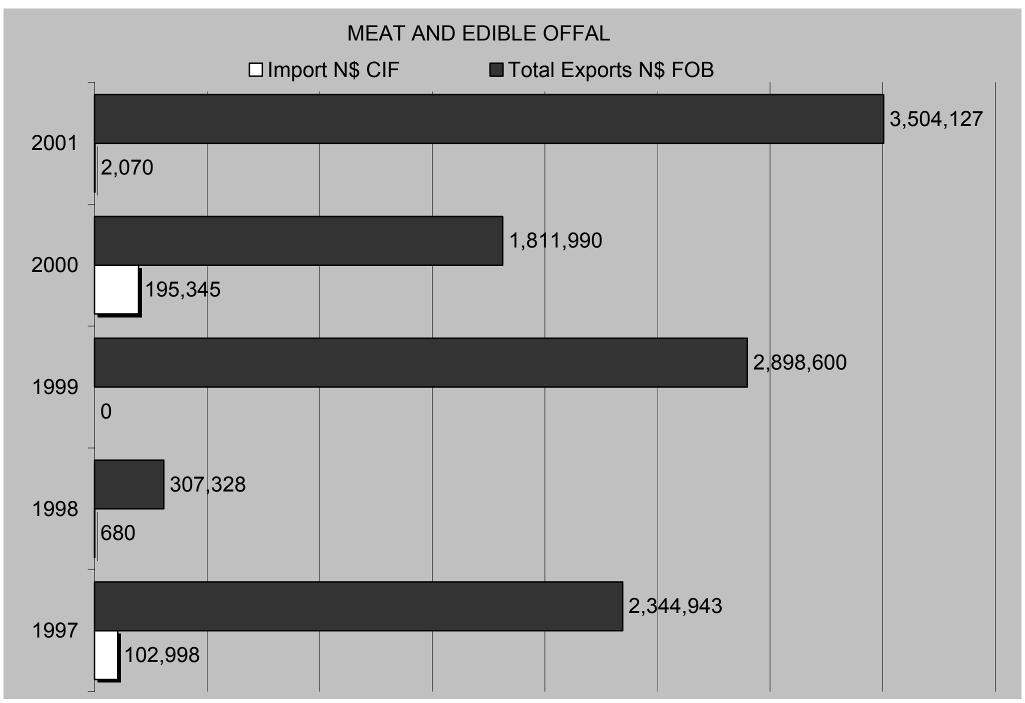

PAPER & PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER ....
Import N$ CIF
Total Exports N$ FOB
2001
4,685,017
145,229
2000
3,345,957
650
1999
1,389,825
0
1998
837,193
8,376
1997
776,507
574

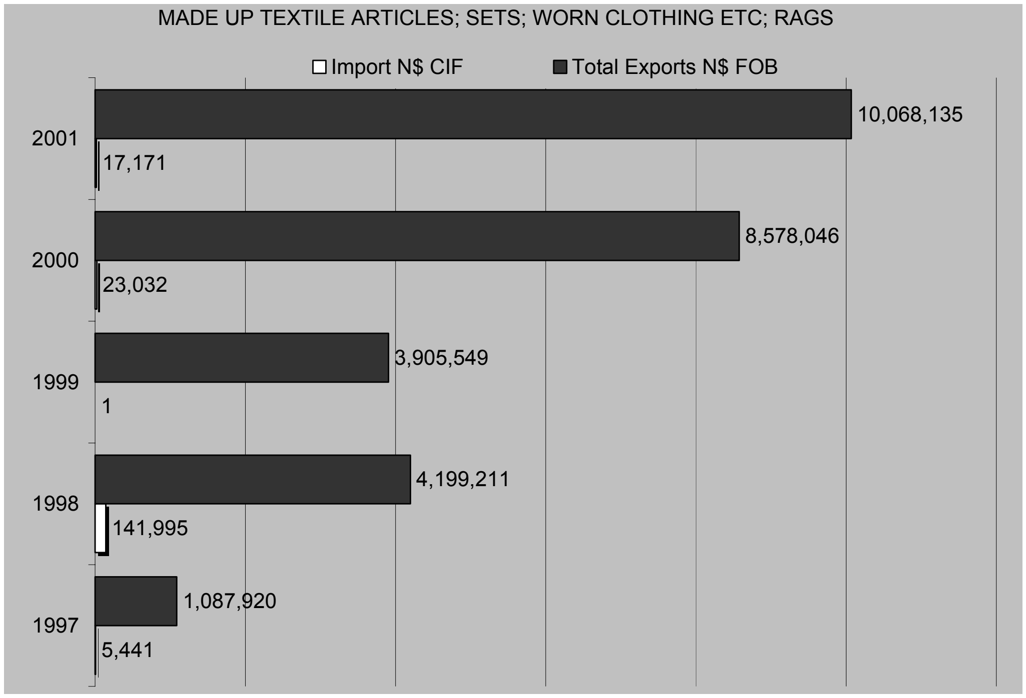

OPTICAL, PHOTOGRAPHIC,......, INSTRUMENTS, ETC; PARTS THEREOF
Import N$ CIF
Total Exports N$ FOB
2001
2,050,953
47,935
2000
12,895,026
18,900
1999
414,087
0
1998
584,767
58,562
1997
676,594
388

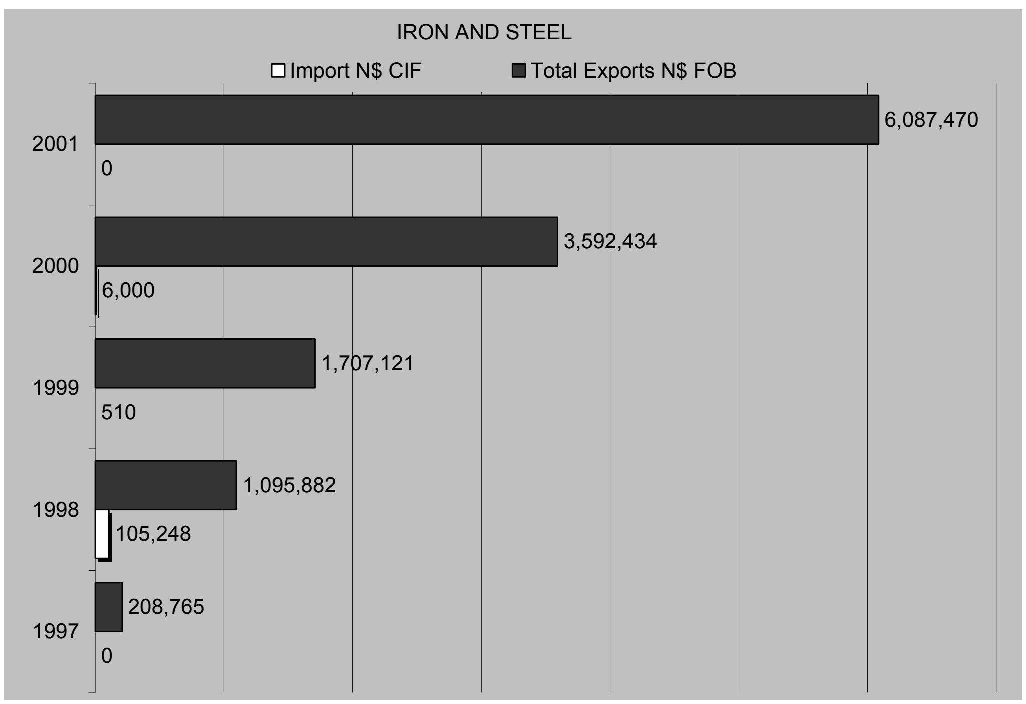

NUCLEAR REACTORS, BOILERS, MACHINERY, ETC; PARTS THEREOF
Import N$ CIF
Total Exports N$ FOB
2001
23,140,895
212,502
2000
28,622,399
82,169
1999
21,991,166
73,402
1998
19,514,749
1,774,158
1997
4,222,286
92,929

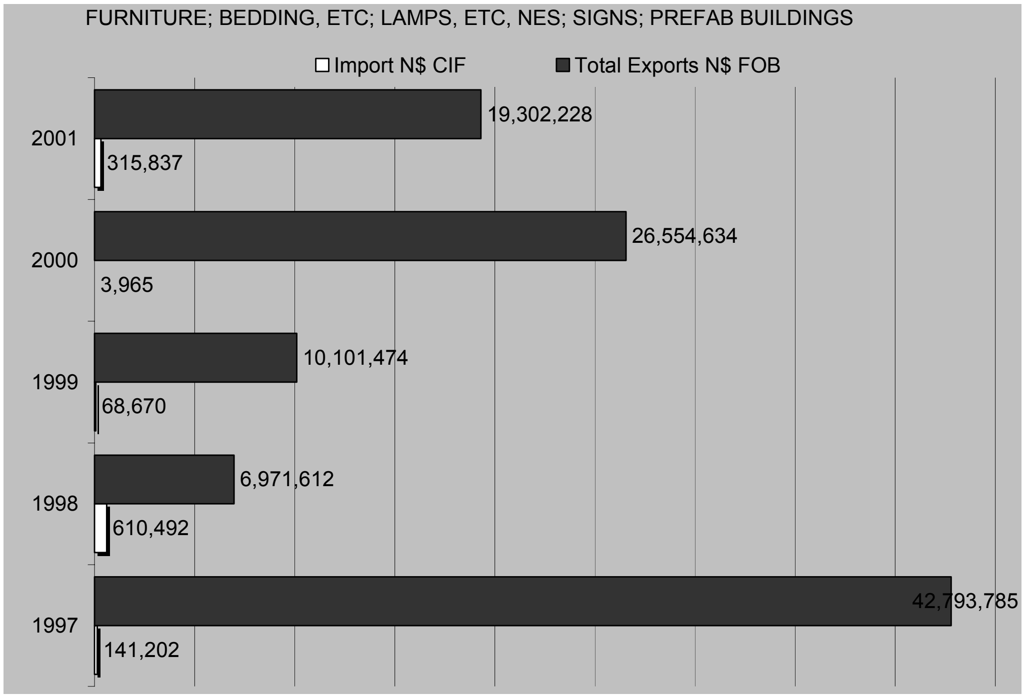

MISCELLANEOUS EDIBLE PREPARATIONS
Import N$ CIF
Total Exports N$ FOB
2001
4,340,975
28,146
2000
6,094,333
0
1999
4,051,867
0
1998
2,028,123
5,065
1997
1,667,791
1,634

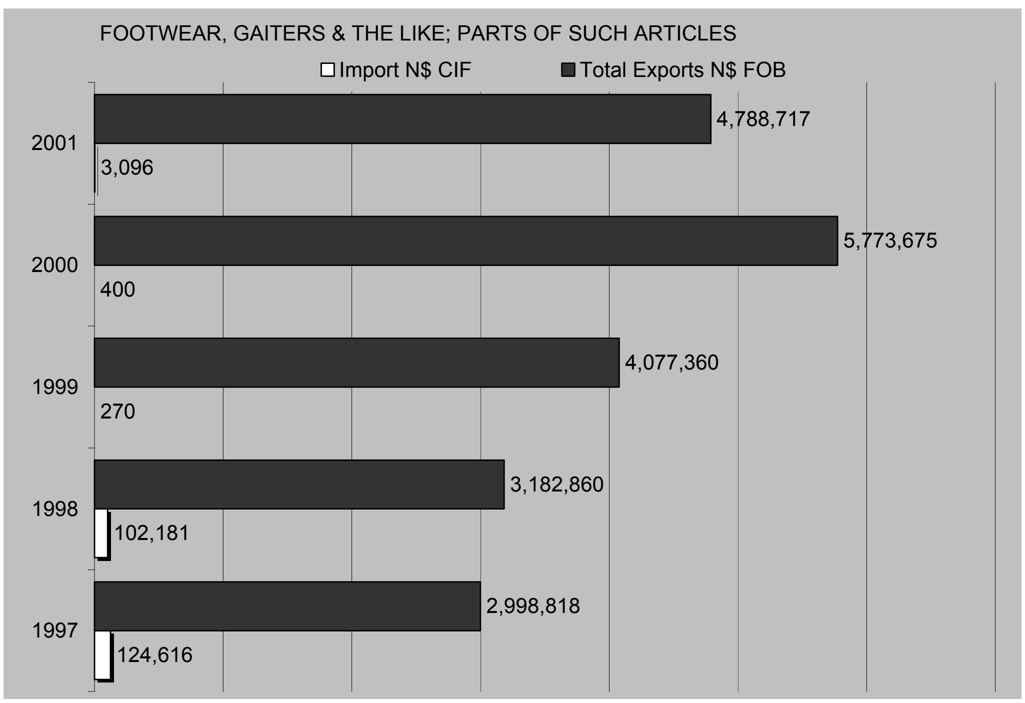

MINERAL FUELS, OILS & PRODS; BITUMINOUS SUBSTS; MINERAL WAXES
Import N$ CIF
Total Exports N$ FOB
2001
17,767,771
171,504
2000
2,933,130
100
1999
3,018,646
6,120
1998
8,639,051
27,470
1997
3,475,928
288,521


MEAT AND EDIBLE OFFAL
Import N$ CIF
Total Exports N$ FOB
2001
3,504,127
2,070
2000
1,811,990
195,345
1999
2,898,600
0
1998
307,328
680
1997
2,344,943
102,998


MADE UP TEXTILE ARTICLES; SETS; WORN CLOTHING ETC; RAGS
Import N$ CIF
Total Exports N$ FOB
2001
10,068,135
17,171
2000
8,578,046
23,032
1999
3,905,549
1
1998
4,199,211
141,995
1997
1,087,920
5,441


IRON AND STEEL
Import N$ CIF
Total Exports N$ FOB
2001
6,087,470
0
2000
3,592,434
6,000
1999
1,707,121
510
1998
1,095,882
105,248
1997
208,765
0


FURNITURE; BEDDING, ETC; LAMPS, ETC, NES; SIGNS; PREFAB BUILDINGS
Import N$ CIF
Total Exports N$ FOB
2001
19,302,228
315,837
2000
26,554,634
3,965
1999
10,101,474
68,670
1998
6,971,612
610,492
1997
42,793,785
141,202


FOOTWEAR, GAITERS & THE LIKE; PARTS OF SUCH ARTICLES
Import N$ CIF
Total Exports N$ FOB
2001
4,788,717
3,096
2000
5,773,675
400
1999
4,077,360
270
1998
3,182,860
102,181
1997
2,998,818
124,616

18.2. List of interviews

18.2.1. Namibia

1. Mr. Michel Laurence**,** Namibian customs officer in Oshikango

2. Mr. Abel David, Head of customs in Oshakati

3. Mr. Amer Ladky, Oshikango businessman

4. Mr. Derrick Bush, Private agent to assist on customs matters in Oshikango

5. Mrs. Olívia Haipinge, Private agent to assist on customs matters in Oshikango

6. Mr. Johnny Ashipala, General Manager of "Oshikango Initiative"

7. Mr. Caúnda Joissa Vertinho, Angolan truck driver

8. Mr. Tavarez, General Manager of "Angola Duty Free" in Oshikango

9. Mrs. Christa Geiger, Accountant of "Angola Duty Free"

18.2.2. Angola:

1. Mr. Lineekela J. Mboti, Ambassador of Namibia in Angola

2. Mr. Pule Diamonds, First Secretary of the Namibian Embassy in Angola

3. Mr. Paulo Salvador, Angolan customs officer in Santa Clara

4. Mr. Fransisco Sebastião, Angolan Customs officer in Santa Clara

5. Dra. Conceição Matos, Deputy coordinator for the Customs Modernization Unit (UMA)

6. Mr. Silivio Burity, Director of the Angolan Customs

7. Mr. Bill Muntain, Economical and Political Officer of the US Embassy in Angola

8. Mr. Bill Pott, Assistant Economical Officer of the US Embassy in Angola

9. Mr. Robert G. Hellyer, Mission Director of USAID in Angola

10. Mr. Ken Lyvers, Ag. Transition and Food Adviser of USAID in Angola

11. Mr. António Cardoso, Nacional Director of the department for studies, planning and statistics of the Ministry of Agriculture

12. Mr. Werner Brock, Director of Offset (Printing Industry), and board member of AIA

13. Mr. José Alberto Cardoso, Director of Department for Commercial Promotion of the Angolan Chamber of Commerce and Industry

14. Mr. José Alantejo, Chief officer for private support of the Angolan Chamber of Commerce and Industry

15. Mr. Alexandre Borges, Economical Consultant of the Delegation of the European Union in Luanda

16. Mr. Joaquim Pereira da Gama, Chef of the Department for Mutual Trade Cooperation of the Ministry of Trade

18.3. Angola Data Profile

Table 13: Data Profile for Angola

	1997	2000	2001
People			
Total population, millions	12.0	13.1	13.5
Population growth (annual %)	2.9	2.8	2.8
Life expectancy (years)	46.5	46.6	46.6
Fertility rate (births per woman)	6.8	6.6	6.6
Infant mortality rate (per 1,000 live births)	172	172	154
Under 5 mortality rate (per 1,000 children)	--	260	260
Child immunization, measles (% of under 12 mos)	78	46	72
Prevalence of HIV (female, % ages 15-24)	--	--	5.7
Primary completion rate, total (% age group)	--	28.3	--
Net primary enrolment (% relevant age group)	33.8	36.9	--
Environment			
Surface area (million sq. km)	1.2	1.2l	1.2
Forests (1,000 sq. km)	--	697.6	--
Deforestation (average annual % 1990-2000)	--	0.2	--
Water use (% of total resources)	--	14009.4	--
CO2 emissions (metric tons per capita)	0.5	--	--
Access to improved water source (% of total pop.)	--	38	--
Access to improved sanitation (% of urban pop.)	--	70	--
Energy use per capita (kg of oil equivalent)	602	583.7	--
Electricity use per capita (kWh)	80.3	88.2	--
Economy			
GNI, Atlas method (current US$, billions)	6.2	5.7	6.7
GNI per capita, Atlas method (current US$)	510	430	500
GDP (current US$, billions)	7.7	8.9	9.5
GDP growth (annual %)	7.9	3	3.2
GDP implicit price deflator (annual % growth)	94.3	408	127.7
Value added in agriculture (% of GDP)	9	5.8	8
Value added in industry (% of GDP)	60.8	72.8	66.8

Value added in services (% of GDP)	30.2	21.4	25.3
Exports of goods and services (% of GDP)	69	92.3	74
Imports of goods and services (% of GDP)	67.8	64.6	62.3
Gross capital formation (% of GDP)	25.5	35.4	34
Technology and infrastructure			
Fixed lines and mobile telephones (per 1,000 people)	5.9	7.3	12.3
Telephone average cost of local call (US$ per three minutes)	0.1	0.1	..
Personal computers (per 1,000 people)	0.7	1.1	1.3
Internet users	750	30000	60000
Paved roads (% of total)	25	--	--
Aircraft departures	7300	4400	4400
Trade and finance			
Trade in goods as a share of GDP (%)	99.1	125.3	106.1
Trade in goods as a share of goods GDP (%)	142	159.4	141.9
Net barter terms of trade (1995=100)	98.1	214.9	--
Foreign direct investment, net inflows (current US$, millions)	411.7	878.6	2.1
Present value of debt (current US$, billions)	0	9.7	9.3
Total debt service (% of exports of goods and services)	19.2	21.3	26.5
Short-term debt outstanding (current US$, billions)	1.3	1.3	2.2
Aid per capita (current US$)	29.5	23.3	19.9

Source: World Development Indicators database, April 2003